

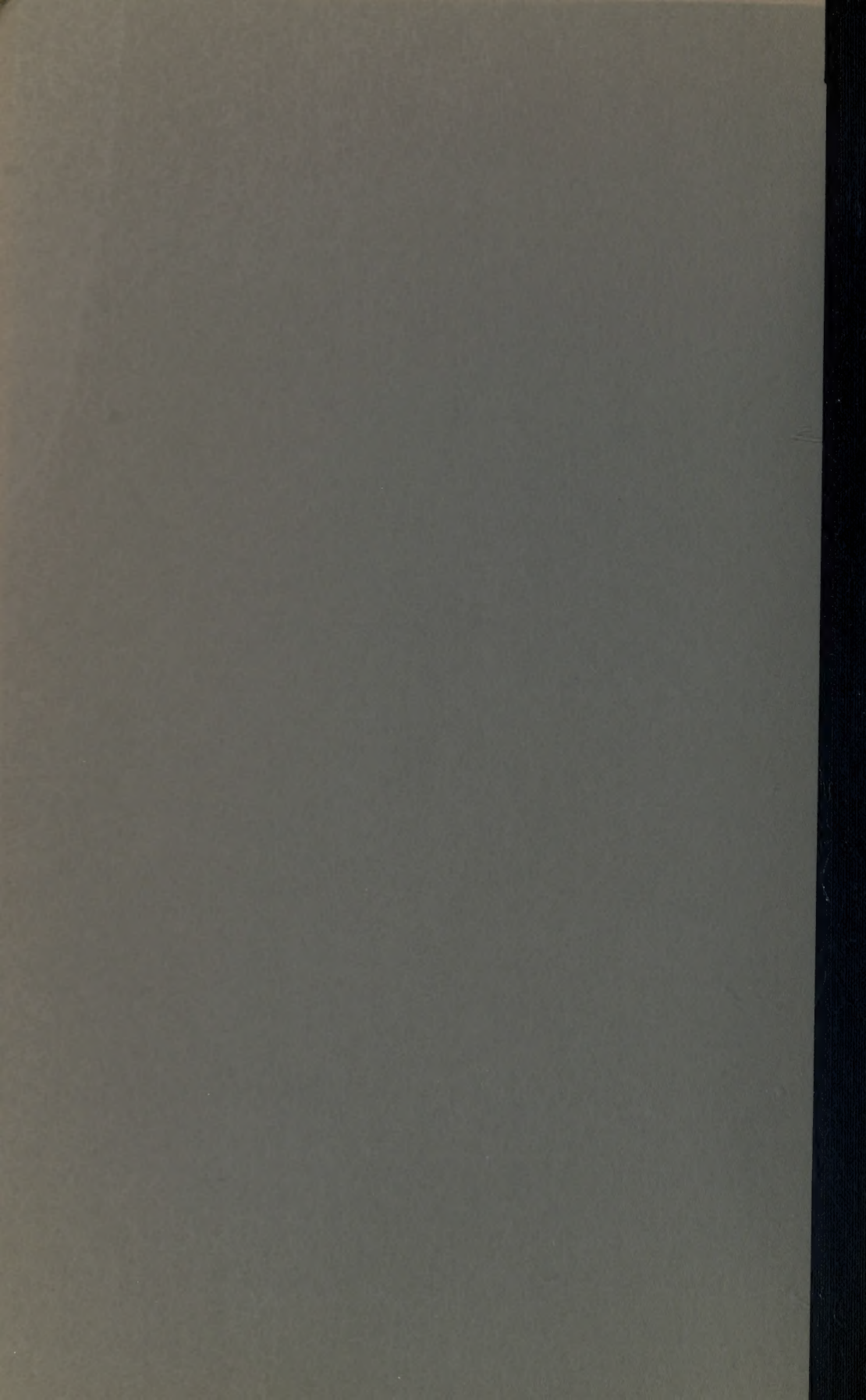


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Ontario. Committee on rural
credits

Report of Committee on
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Ontario Department of Agriculture

REPORT OF COMMITTEE



ON

RURAL CREDITS

1920

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THE LEGISLATIVE ASSEMBLY OF ONTARIO



TORONTO

Printed by CLARKSON W. JAMES, Printer to the King's Most Excellent Majesty

1921

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Report of Committee on Rural Credits
1920

TO THE HONOURABLE MANNING W. DOHERTY,
Minister of Agriculture,
Province of Ontario.

SIR,—We, the members of your committee appointed to investigate the problem of Rural Credits, with a view, if deemed advisable, of recommending a system suitable to the agricultural needs of the Province of Ontario, beg to submit the accompanying report.

Your obedient servants,

W. T. JACKMAN.
THOS. McMILLAN.
M. H. STAPLES.

November, 1920.

THE UNIVERSITY OF CHICAGO

DEPARTMENT OF CHEMISTRY

LABORATORY OF PHYSICAL CHEMISTRY

REPORT OF THE COMMISSIONERS OF THE GENERAL LAND OFFICE
IN RESPONSE TO A RESOLUTION OF THE HOUSE OF COMMONS
PASSED ON THE 12TH MARCH 1881

BY

W. T. FRANKLAND
F.R.S.
AND
W. H. PERKINS
F.R.S.

LONDON
PRINTED BY RICHARD CLAY AND COMPANY, LTD.
BUNGAY, SUFFOLK

Report of Committee on Rural Credits, 1920

1. THE IMPORTANCE OF AGRICULTURE TO THE NATIONAL WELFARE.

In view of the commanding importance of agriculture in the economic life of the country, and with a recognition of the outstanding fact that just to the extent that agriculture flourishes can other great industries which hinge with and depend upon it be maintained in operation, it is becoming increasingly clear that agriculture "is the true foundation of trade and commerce," that it is "the foundation of the riches of states," that it is the great source whence the whole nation is clothed and fed, and that its varied activities not only provide the means of sustenance to our own population, but contribute in no small measure to the welfare of the Empire, of which we are an integral part, as well as to that of foreign countries. The character of agriculture has greatly changed in recent times. It is no longer regarded as a means of earning a living, but as a source of national wealth. Modern governments have been using their best endeavors to build up their respective countries with all their wealth-giving potentialities, and here is the most important of all sources of wealth, because the prosperity of agriculture underlies the entire social and economic welfare. Under the existing system of distribution of products it is impossible for the urban classes to be well cared for without having the food producers of the country carrying on successfully their basic enterprises; and without an abundant provision for the needs of the workers in the urban centres we cannot think of a successful commercial life and a developing industrial system. The urban and rural life are so closely integrated that they form one web; cause that web to be subjected to strain at any one point, and the effect is noticeable at every other point. In recent years the strain seems to have come upon the agricultural interests of this Province, and to such an extent that a comparison of the census of 1910 with that of 1900 shows a progressive decline of the rural population accompanied by a constant increase of the urban population. How great may be the accentuation of this tendency, as shown by the census figures of next year, we shall not venture to predict. A well-rounded national development is impossible with an uninterrupted increase of city dwellers, consumers of food supplies, and an incessant decline of the numbers of producers of these food supplies. The welfare of agriculture is now being recognized, the world over, as the paramount consideration, and no sound economic system can be built up except as the agricultural foundation is firmly established. In the development and prosperity of every enterprise capital has become of greater and greater importance, and in the securing of capital the role played by credit is seldom fully realized.

2. THE IMPORTANCE OF CREDIT IN THE BUSINESS WORLD.

From the earliest times simple forms of credit have been in general use, and as soon as it became known that credit could be used to take the place of money in a large measure a new era was opened up in the realm of finance. It is well known that if banks to-day could not loan their credit, but had to be satisfied with loaning only their capital, they would be unable to carry on their business in the present satisfactory manner. If they could loan only their capital, they would be unable to meet the present great demands for the expansion of business; but when every dollar of money can be made the basis of several times that amount of credit, and this credit can fulfil the ordinary functions of money, it is not difficult to see that the present extensive system of commercial practice would be wholly impossible without a credit mechanism responsive to the necessities of trade. Moreover, the employment of credit not only economizes in the use of money and makes it possible for money to do much more work than it otherwise could, but it also facilitates exchange of commodities. It is much easier to pay for goods by such credit instruments as bank notes, Dominion notes or checks than by having to count out the amount in money every time goods are purchased or sold. This is particularly true when the amount of the bill is large. If every transaction had to be settled by a money payment, the amount of these transactions would be very narrowly limited; and with the restriction of business there could not be the development of enterprise and wealth on the scale which we have to-day.

But there are two forms of credit, namely, that which is used for productive purposes and that which is used merely for securing the goods which will satisfy the wants or desires of the individual. The latter we may call, in contrast to the former, consumer's credit. This has frequently come into disrepute, and has tainted the whole conception of credit. There is still a great deal of this kind of credit. A spendthrift keeps on borrowing and spending for himself and his friends until his wealth is gone. The man in need appeals to some one with money, and gets credit up to a certain amount in order to relieve himself of his temporary embarrassment. This has been done not infrequently by kings as well as by the impecunious in lower stations in life. A man whose ship has failed to come in at the expected time, or whose harvest has disappointed him, frequently borrows to tide himself over the catastrophe until better fortune overtakes him. There are still not a few of such people who borrow—that is, who use credit, as a means of self gratification, and of whom it can be said that "he who goes a-borrowing goes a-sorrowing." All this kind of credit, designed to make up some loss already incurred and to contribute to the satisfaction of the selfish desires of the individual, usually sinks the latter deeper and deeper into debt, from which he will find it increasingly difficult to extricate himself. It produces no value out of which the loan may be repaid at a later date, and it is certain that such credit should be discouraged.

The very opposite of this improvident credit is what we have called productive credit—that is, credit which is used for the purpose of creating value. It is a credit which can be repaid out of the returns from the investment—a credit which can be employed by the borrower for increasing his wealth, over and above the amount which he has to repay as the principal and interest of the loan. The employment of credit for this purpose trains to businesslike conduct; it impresses the borrower with a sense of responsibility, and instead of weakening

the character of the borrower it strengthens it. Credit of this kind is required in constantly increasing amount in order to permit the uninterrupted expansion of trade and industry and of every other productive pursuit. In order that business may expand there must be an increasing employment of capital, of labor, and of the raw materials of the business; and in order to secure this expansion there must be an increasing command of capital, which, in turn, is obtained through a regular system of borrowing.

From a mere convenience—a mere improvident, risky and costly accommodation—credit has been raised to a dignified position in the world of business. By far the greatest part of the world's business is now carried on through the use of credit. The vast fabric of business at the present time rests upon the extensive use of credit. Credit is an active, dynamic, infinitely self-multiplying force, and without it there could not have been the tremendous developments in industrial life and the expansion of commerce from the local to the provincial, national and international markets. If credit were to cease the work of production would be paralyzed and nations would be unable to care for even the primary needs of their people. Anything which affects the credit of a country, or even the credit standing of one or two important business institutions of the country, affects immediately the conduct of the country's entire business and social life. Credit is an instrument which may operate either advantageously or prejudicially. In the hands of those who know how to use it properly for productive ends it may be the means of increasing personal wealth and power, as well as social welfare; but in the case of those who do not know how to use it judiciously it may be the sword of Damocles which hangs over their heads, ever threatening them with extinction.

The word "credit" means "faith" or "confidence," in its primal significance, and before an individual can secure credit in the ordinary form of a loan he must give some security which will be adequate that the loan at maturity will be repaid. The lender must have "faith" in the borrower or in his enterprise before he will make him a loan. For his faith he naturally turns to some material foundation, for, as yet, no matter how good the intentions of a borrower may be, the fluctuations of business may make it impossible for him to repay the amount borrowed at the specified time unless there is some material surety which can be used to assure this repayment. It is this problem of security which has engaged so much attention from all business men, especially from those who are acting in a fiduciary capacity, such as bankers. Naturally credit gravitated to wealthy men, to those who could provide the necessary security for the amounts they have borrowed. They have usually known how to turn it to the best account. It is no exaggeration to say that the most valuable benefit which wealth confers upon the business man is that it permits him the largest credit. It is but another illustration of the truth that "to him that hath shall be given."

But the man who is not wealthy requires credit for his business just as much as, if not more than, the man of wealth. The community is made up, not of the few rich men whose wealth enables them to satisfy all their needs for business credit, but chiefly of those whose wealth is not so manifest, but whose well-being is essential to the welfare of the entire communal life. The average man requires credit all the more because he is not so well provided with capital. He competes with his wealthier rival, and in this competition he must frequently extend credit to his customers; consequently he is in greater need of securing credit. It is these poorer claimants for credit which have been but inadequately supplied with it.

for the reason that they have not the security which is demanded by the financial loaning institutions. A small amount of credit percolates down to them, but usually loans are made and credit is allowed to those whose security is the best. This is simply carrying out, on the part of the lenders, the good business judgment which anyone would applaud.

3. IMPORTANCE OF CREDIT TO THE FARMER.

If credit is so important that the bulk of the world's business is done on credit, and if it is so important to the individual firm that the latter at the beginning of the year arranges with its bank or banks for a line of credit up to the limit of its requirements for the year, it is equally important for the agriculturist who wishes to carry on his enterprise in the most effective ways and with the greatest amount of economy. Agriculture is the greatest industry of this country. The ability to secure capital upon reasonable terms is essential to the success of any business, and farming is especially embraced within this requirement. The successful farmer becomes more of a business man every year. He must use more machinery, buy more fertilizer, and sow better seed. He must erect better buildings, raise better stock and grow better crops. He must store his produce in order to sell in the highest-price market. He must pay cash in order to buy cheap. All these and many other aspects of the farmer's business show us the necessity of *short-term credits* for him in order to enable him to improve the quality of his agriculture, to increase the quality and amount of his output, and to augment his returns from his work. The man who borrows to increase the yield from his farm, to cheapen the cost of the growing and marketing of crops, or for any other productive purpose, does exactly what prudence dictates, because the transaction enables him to take advantage of his opportunities and to give full play to his talents while making it possible for him to do greater good to himself and his family and to become a more useful member of society by adding to the nation's wealth.

But in addition to the short-term credit requirements for providing various forms of working capital or circulating capital, the farmers have need for *long-term credit* to enable them to make investments in fixed assets and permanent improvements, the returns from which come but gradually, and as a steady flow, during a protracted period of years. The active farmer frequently desires to purchase more land, either for himself or his son; he wishes to establish a drainage system in a certain part of his farm; he may want to erect suitable buildings upon his farm. The returns from these accrue to him gradually, over a long time, and there should be some provision by which he might be able to borrow the amount required for such additions and betterments and pay back the amount borrowed from the annual returns from the investment—in the same way as a railway company pays for its rolling stock out of the income from the use of that rolling stock, or an industrial establishment pays for an extension of its plant by annual payments made from the increased income received through the enlargement of its capital equipment. In addition to these credit requirements of the landowner there should be facilities for enabling farmers' sons and tenant farmers who have comparatively little capital, but who have good character, good ability and a desire to remain on the land, to become owners of their own farms in the shortest possible time and with the utmost economy in the matter of payments. Tenancy which is

merely a stepping stone to ownership may be economically upheld, but tenancy which is chronic has nothing to be said in its favor. The tenant in this case simply mines the soil, takes out of it everything that he can get, and then moves on to do the same on some other farm. This is nothing but sheer waste. But if either the farmer's son or the tenant farmer can be provided with suitable long-term credit, under reasonable safeguards, so as to prevent the movement to the cities and to encourage land ownership with all its individual and national advantages, the personal, social and economic results to the whole community would be incalculable.

The importance of these two forms of credit varies in different localities. In the older sections of the Province the need for short-term credit is felt the more keenly, whereas there is in many localities at the present time very little need for long-term credit. In such places land is not changing hands to any great extent, and where it does change ownership the seller of the land is usually willing to take a mortgage for a fair and sometimes a large proportion of the selling price. But in New Ontario there are many sections where the need for mortgage (or long-term) credit, as well as for short-term credit, is very pronounced. In these places money cannot be obtained at all by many whose land is as yet of little value, and even those who have become better established are called upon to pay eight to twelve per cent. on three-to-five-year loans, with an average rate of at least ten per cent. We recognize that the security which farmers in that part of the Province can give is by no means the best, and that the greater risk assumed by the lenders has been considered sufficient reason for charging a higher interest rate; but the demand for credit has been very inadequately met under the existing conditions, and this calls for the most careful consideration.

Even in some of the older parts of the Province it is clear that in the near future there will be very decided changes. Where the farms of the entire countryside are owned and worked chiefly by men who are well on in years it does not take much foresight to discern that in the course of a few years at the most there will have to be the transfer of ownership of these farms to younger men, and at that time there will need to be credit facilities of a more extended and liberal character than those which have prevailed hitherto if the ownership of these farms is to be attractive enough to draw men to them.

Besides, there is the constant need and desire to make farm life exercise a stronger appeal particularly to many who have left it. The "back to the land" movement will never gain very much impetus until agriculture is made more remunerative. If a business man, in starting business, could not count upon being able to get advances from others, but had to rely wholly upon his own capital, many of them would never undertake the risk. In the same way if a prospective or would-be farmer cannot count upon being able to get loans under such terms of interest and repayment as will enable him to use them profitably, he will hesitate before embarking upon his contemplated course. But if such a man can get the necessary loans to enable him to apply his labor in the most productive forms of agriculture and repay these loans gradually out of the proceeds of their investment, there will be a larger return to himself and he will be less dubious about undertaking the ownership and cultivation of the land.

4. HOW THIS CREDIT HAS BEEN MET.

Short-term (or personal) credit has usually been furnished to the farmers here in three ways:

First: The local merchant has come to the farmers' aid and carried them over from harvest to harvest. The farmers have depended altogether too much upon this system of book credit. By this system of indirect credit the farmer keeps a running account with the merchant, and when he has no choice left as to where he will trade, but must trade at the store which will give him credit, he will have to pay the highest prices for everything he buys. On such accounts he is always paying the highest (and sometimes excessive) interest rates. This is the system which usually prevails in localities remote from trading and financial centres.

Second: The farmer may take his note to the local branch bank, sometimes with one or two indorsers, and in this way get a loan for a period not to exceed three months. In order to obtain this loan without the indorsement of his note, the farmer must have a satisfactory statement of his affairs on file at the bank, in the same way as a merchant or a manufacturer. For many farmers it is very difficult to give such a statement which will represent their condition with a fair approach to accuracy. In few cases do they keep any accounts, so that a financial statement made out by the farmer, with the aid of the bank manager, may be nothing more than a well-considered guess. Then, when the manager mentally reduces the valuations of the assets represented on this statement, as he not infrequently does, it is not uncommon that the farmer's statement is insufficient as a basis for the granting of the loan.

Third: Much less frequently, it seems, the farmer gives his note to a friend or a neighbor in order to obtain the advantage of a temporary accommodation.

Long-term credit, on the other hand, is always secured by a mortgage on real property. In the earlier history of this Province the mortgage and loan companies accomplished good service by being able to mobilize capital from both the British Isles and Canada and use this capital to make loans to farmers for long terms. In this way development took place more rapidly than would have been possible without this aid. In recent times, however, particularly since the beginning of this century, the mortgage and loan companies, the insurance companies and the trust companies which formerly furnished the funds for investment on farm mortgages have found their farm mortgage loan business continually declining, until at the present time, according to the statements of the officials of these companies and the reports of the county registry offices, the amount of such loans that are held by these companies is relatively insignificant. It seems that in most counties not more than ten per cent., and usually not more than five per cent. of these farm mortgages are held by the companies. It must be clearly borne in mind that we are speaking of loans on farm lands, not of loans on urban property. The mortgages against farm lands, then, are held almost entirely by private individuals, particularly by active or retired farmers who have funds to invest. Whether, on the whole, the amount of the mortgages on farm lands is now increasing or decreasing we have been unable to determine, for it would require a great deal of search and patient collection of facts from the records of the registry offices of the counties. In some cases there are more discharges than registrations of mortgages, and in other cases the reverse is true. Since Ontario farm property has ceased to be a fruitful field for the investments of the mortgage and loan companies,

they have transferred their activities in this respect to the western provinces. One of the oldest of these companies, which formerly had over fifty branch offices in this Province, has now only one and it is likely to close this agency soon.

5. INADEQUACY OF THE PRESENT CREDIT FACILITIES

The statement is frequently made that the farmer does not want to go into debt; that it should be his chief concern to get out and keep out of debt. We are asked the question, then, why do we want to facilitate the farmer's going into debt? If the same question were asked regarding a business man it would be too foolish to call for an answer, but it is equally foolish when asked regarding a farmer. But, to answer it for the farmer, we assert that the man who is capable of producing something of value to mankind, but who has not the necessary capital, is not only allowing an asset of his own to go to waste, but is depriving society of a legitimate addition to its wealth in not borrowing that capital. And if business is so organized that he cannot obtain such capital, or can obtain it only on terms which he could not accept, a serious injustice is done to him, to accumulated capital, and to society itself. A debt contracted for a productive purpose, by one able to accomplish that purpose, is one of the best of investments, for it enables the debtor to translate his character and ability into wealth and capital.

It is said, by those who declare that there is no need for a rural credits system in Ontario, that substantial farmers can always obtain credit. It is perfectly true that there are farmers who can borrow money at fair rates. But how many are in a position to secure borrowing privileges from the existing institutions to the necessary extent of their requirements? Even the substantial farmers can or do seldom use their credit to the degree that it ought to be used, for employment in their work of production, in the same way or to the same measure as manufacturers or merchants use theirs. Intensive use of the land, so as to secure the greatest returns from it, demands the employment of much larger amounts of capital than are now available. It is because capital or credit has not been extended to farmers upon such terms as are favorable to the special conditions of agriculture, that farmers, *as a class*, have not yet learned what very profitable use might be made of it in the employment of working capital, putting value into the farm and gathering it back with increase within a few months.

We are justified in saying that we would be performing a valuable service to the country, to the urban population, and to the farmer in providing him with a system of credit, at the lowest practicable cost, adapted particularly to his conditions.

But in what respects is the existing credit mechanism defective and inadequate from the point of view of agriculture? We shall endeavor to answer this question from the standpoint of both short-term and long-term necessities.

(a) *Short-term defects.*

In the first place, our banks are operating under the Bank Act which was not framed with the welfare of the agricultural classes in mind. We are not unmindful or unappreciative of the great benefits which have been secured through the operation of the Canadian banking system, which is one of the finest in the world, but we realize that the Bank Act, enacted when Canada was a young country and much smaller than it is to-day and when its agriculture was primitive, was designed

to serve the commercial interests. This is not true of Canada alone; but in all countries the commercial banks, as their name indicates, have been intended especially to serve the needs of the commercial classes. One has only to read the sections of the Bank Act dealing with "Business and Powers of a Bank" to understand how closely these institutions are related to the activities of the trading and industrial classes. This fact, of course, has been acknowledged over and over again by our bankers. The bank's funds must be preserved in liquid form. Even in the recent amendments to the Bank Act, while two or three concessions are granted to the agricultural interests, it is distinctly stated that the banks are not to lend money under circumstances in which it will be tied up. This is simply putting into legislation and into practice what prudence has shown to be necessary in safeguarding the commercial welfare. The Act, as in force to-day, does not provide for loans to farmers except upon the security of threshed grain grown upon the farm, or for the purchase of seed grain (the return from which is pledged as security), or for buying live stock, taking as security a bill of sale or a chattel mortgage on the stock and all their offspring. How small a proportion these are of the farmer's operations will be readily apparent. While we admire the underlying principle of the Bank Act and recognize that it has worked out in a very successful way so far as the business classes are concerned, it was never conceived for the purpose of serving farmers and in its outworking it is deficient in making so little provision for the agricultural interests.

In the second place, the longest period allowed for a commercial loan is entirely too short for the farmer. The business man can use a three-months' loan satisfactorily because he usually turns over his goods or his capital five or six times a year and frequently much oftener than this. He is, therefore, sure of a turnover at least every three months and knows that from the returns from the sale of his goods he will be able to repay the loan. But a three-months' loan is of little, if any, value to the farmer. His money returns to him, generally speaking, once a year. As a general rule, he has but one turnover per year. The shortest period for which the farmer can ordinarily borrow is six months, that is, within that time he will be able to secure the returns from his investment and pay back the amount borrowed. More frequently, however, he needs the loan for eight months or a year, in order to be able to repay the loan out of the return from it. The banks are required, by their organization, to keep their funds liquid and, therefore, even a six-months' loan is usually out of the question for them. It is inevitable, under these conditions, that the 60-day to 90-day paper of the merchant should get the preference over even the six-months' paper of the farmer. It is clear, from what we have said, that the major part of the farmer's credit does not come within the scope of our banking system as now organized. If the farmer takes a loan from the bank for three months, with the expectation and sometimes the banker's promise (verbally given) of being able to have it renewed at the end of that time for another three months, by the time of maturity of the loan the commercial conditions may have changed, so that the renewal may not be granted. In that case the farmer has not had the loan long enough to make it pay for itself and he must meet the amount of the note in whatever other way he can. In addition to the limitation imposed upon the bank by the legislation and the system under which it conducts its business, the short-time loans for one to three months are more profitable and this places a further barrier to the bank's tying up its funds for periods of more than three months.

It is natural that the bank should do business with the merchant, the manufacturer, the broker, the middleman, because they may complete the processes for which they require credit within the customary period of the loan. But contrast the farmer's situation. He must wait upon the seasons; his financial returns come only when the seasons have run their course, and if the season should be extraordinary or unusual, causing a partial or total failure of his crops, he must have a longer time to meet his obligations. If he wants to buy horses, cattle or other stock for breeding purposes, he cannot sell such stock and make any profit in even six months; at least a year and often longer is required. What he needs is time enough to raise colts, calves or pigs to sell from the breeding stock he has purchased, or to keep the better stock and sell the older and poorer grades in order to meet his liability on the loan. Almost all the farmer's processes run from eight months to two, three and four years, and he is not in position to repay capital advanced for such processes until these periods expire and his returns arrive. In this connection we may ask, what better security should be required for such a loan given to an enterprising and honest farmer than a lien upon a herd of breeding cattle and their increase? In the words of a very prominent banker of the United States, whose enlightened business and diplomatic career entitles him to speak with authority, "Agriculture, considered year after year and over extended areas, is the surest of all operations in regard to returns."

In considering this problem of farm finance we shall have to recognize the fact that the whole economic organization of the farmer's world is markedly different from that of the commercial man's world and, consequently, demands different treatment. Whoever contends that by means of a few slight changes the system of commercial banking may be so adapted as to suit the requirements of the agricultural classes, ignores the radical, fundamental difference between agriculture and commercial business, which produces the deep-rooted difficulty which we have to solve. The security which the farmer has to offer is commonly understood to be good. It is, perhaps, not quite so good here as it is in England or Europe, because there is more movement of the farming population and greater difficulty in following up a migrant who may wish to conceal himself. But even so, the security may be taken to be inherently good. Unfortunately, however, it is not bankable in the banker's sense. Its precise value cannot be ascertained readily. (It must be remembered that we are speaking now of short-term loans and not of mortgage loans.) The security cannot be easily watched and controlled. There is no system of agencies, such as Dun's or Bradstreet's for commercial concerns, to keep constant observation of the farmers and give information as to changes in their financial standing to the banks. The banker does not *know* the farmer, and if the latter is to be able to raise money for his purposes his security will have to be put into a different form in order to become bankable. How this is to be done, we shall have to consider in a later section, after we have outlined some of the important systems in other countries.

(b) *Long-term credit defects.*

The advantages which have been secured in earlier years by the activities of the mortgage and investment companies have been already mentioned, and while their business in Ontario has dwindled to almost negligible proportions, there has been impressed upon the remaining business which they secure certain features which are by no means favorable. We speak particularly of the short duration of their mortgage loans, which are made for periods not to exceed five years. In the

words of the manager of one of the most prominent of these companies, they "reserve the right at the end of the five-year period to review their investment." It seems that in the 80's and 90's of the last century mortgages were usually drawn for fifteen to twenty years, repayable on an amortization plan or at the end of the term. But as interest rates fell the outcry against these long-dated obligations became so loud that the Dominion Parliament empowered any borrower, after five years, to pay off his mortgage with a bonus of three months' interest. As a result, the practice of the companies changed, by limiting the usual mortgage to a term of five years, where it has since remained. At the maturity of the mortgage, the company may reconsider the loan. If the security is not satisfactory, because of any change in the value of the property or in the material condition of the borrower, the loan may be called in. If the rate of interest on similar investments has risen, the company may either call in the loan or renew it at the higher rate. All these elements of uncertainty are not favorable to the farmer. He wants to know, when placing a mortgage on his property for any productive purpose, that he will have the loan for a long enough time to make it productive. If it should be called in before that, the object of the loan has not been served, and he would have to get money from some other source with which to meet the demand for repayment. Agriculture is a business in which the long look ahead must be taken; its returns cannot be increased in short periods at the will of the farmer, for he is very dependent upon the vagaries of nature. Consequently, if a farmer is in a position to avoid these five-year loans he will invariably do so. Probably this is one of the reasons why company loans on farm mortgages have so greatly declined in amount and the farm mortgage business has got into private hands.

The change which we have noted from company to private lending on these mortgages shows virtually a silent, gradual revolution which has been taking place. There must have been good reasons for this change, and among them there, doubtless, were at least three which we may indicate:

- (1) The fact that private individuals were willing to loan for more than five years on property in their vicinity, with the owner of which they were perfectly familiar.

- (2) The lower rate of interest which they were willing to take and which still prevails for many of these loans.

- (3) The fact that the land was sold by one farmer to another, and as the buyer did not have the full amount of cash with which to pay for the property, the seller would take a mortgage for the unpaid balance.

But while there are these advantages from the existing system of private loaning, there are also some defects. In occasional instances the individual lender will use his dominant position to oppress the borrower and to take advantage of him to such an extent as to extort more than his just due. But the chief defects we may group under two divisions:

1. In large portions of this Province, such as in the northern sections, which are relatively undeveloped, the amount of private funds available for such investment is small, entirely insufficient for more than a very small fraction of the demands. The risks in most cases are too great to tempt the companies to enter these sections, and, as a consequence, it is with great difficulty, and by the payment of too high interest rates, that the settlers can get even meagre accommodation.

2. The unorganized condition of the loan business when left in private hands. This makes the prospective borrower's situation one of uncertainty. He does not know whether he may be able to find a private individual in his locality who will

have funds to invest in a mortgage. Moreover, the rate of interest under this individualistic regime is widely different in different localities, even for the same kind of risk. This does not make for the fullest development of all the agricultural resources of the Province, but tends to confine agriculture to those sections in which capital is more abundant and can be had at the lower rates of interest. Equality of opportunity demands that some means should be found by which the rate of interest should be approximated to a uniform level for all, irrespective of the section in which they carry on their work.

With these deficiencies in the present facilities for obtaining suitable credit, and others which we need not mention here, it is evident that there is a fair field in Ontario for the establishment of a system of rural credits which will meet more adequately the needs of the agricultural classes. But before proceeding to the consideration of the system which we recommend, it is desirable to present in brief outline what has been done in some of the most important countries in order that we may have the background of the movement for the improvement of the methods of agricultural finance.

6. HOW OTHER COUNTRIES HAVE MET THE SITUATION AND THE DEGREES OF SUCCESS ACHIEVED.

GREAT BRITAIN AND IRELAND.

Throughout the British Isles no great lasting progress seems to have been made in the operation of strictly rural credit societies. It is true that in England there are facilities for the formation of credit societies, but these have not developed to any extent. Perhaps the chief reasons for this lack of development are the reluctance of farmers to borrow, their unwillingness to show their financial needs to their neighbors, and their opposition to anything in the nature of unlimited liability or of becoming collective guarantors for others. In England and Wales, and in Scotland, there seems to be no national pressing need for purely rural credit societies, since the banks and merchants extend credit where required on easy terms and at fair rates of interest. Yet even in Scotland, where the banks are in a position to make loans to farmers upon the most favorable terms that a commercial bank could provide, a committee has recently reported in favor of a rural credit system. In England and Wales the movement for rural credit banks has made a beginning, for in 1906 there were 11 of these institutions, and it may be confidently expected that under the Small Holdings and Allotments Act of 1907 they will continue to increase. This Act, which enables the Government of Great Britain, under the proper authorities and subject to certain conditions, to take lands and sell or lease them at reasonable rates and for favorable long-term periods, also provides that "a county council may promote the formation of and assist co-operative societies and credit banks."

In Ireland the extension of joint stock banking facilities has been comparatively recent. These banks had branches throughout the country, usually at the market towns, and when a farmer wanted a loan from the bank he had to take with him two sureties if he hoped to get the money from that source. The expense connected with this process and the necessity of discussing his affairs with the branch managers made this source of funds practically impossible for the farmer.

Moreover, such borrowings were usually in small amounts, and the bank managers were not eager to encourage them. It is not at all unusual for a farmer to have to make a journey of ten or fifteen miles to the nearest bank. The only other source of loans are the money lenders, the most usurious type of which is the "gom-been-man," the "trust auctions," which are disastrous to the farmer, and the Loan Fund Board, which was never intended for making loans to farmers, but to afford temporary relief in small amounts to workers in the great industrial centres.

These sources of loans were wholly inadequate and unsatisfactory, and after the formation of the Irish Agricultural Organization Society in 1894, when the need for co-operative credit had been fully demonstrated, the German Raiffeisen type of bank furnished the model upon which to organize credit societies in Ireland. The characteristics of this system will be briefly mentioned when we are considering that country. The first of these Irish credit banks began operations in 1895 at Doneraile, in the County of Cork, and its success led at once to the formation of two other credit societies in 1896.

The funds of these societies were obtained from members' deposits, loans from Government departments, and other loans, mainly bank overdrafts. The purposes of the Raiffeisen banks were to encourage thrift on the part of their members through furnishing a profitable use of their funds and to use the surplus funds of the community for making loans for productive uses in that community. Reliance was placed mainly upon the deposits of members. But in applying this principle in Ireland, it was found that the poorer sections, which were in great need of credit facilities, could not provide the necessary capital for such banks. The Government, then, was the agency to which the people looked for assistance, and soon a number of societies existed for no other reason than to administer the distribution of this Government money, which their members regarded more as a windfall than as a loan to encourage self-help and to be repaid within a definite time. It became evident that in such cases the banks were not performing the function for which they were primarily established.

Other defects also became manifest. In sections where such banks could be established with the hope of securing a large amount of surplus funds, wealthy men refused to deposit their money because of the provision of unlimited liability for the debts of their poorer neighbors. The inability of the societies to pay for the services of competent secretaries militated against their success. The practice of renewing loans beyond the period for which they were granted, without proof that they would be used for any new purpose, or that any additional profits would follow from the delay in repayment, was used too freely, and this laxity of the individuals in meeting their obligations caused both moral and financial defects. The losses of some credit societies year after year did not inspire any confidence in their management, but acted as a detriment to their proper usefulness. The failure to furnish the returns required regarding their business, accompanied by general apathy and inefficiency of many societies could have but one inevitable result, namely, to bring these institutions into disfavor with the people and the governing authorities.

Notwithstanding these unfortunate results in not a few instances, the Irish Agricultural Organization Society, in the early years of the rural banks, said in one of its reports: "We attach very great importance to the introduction of the Raiffeisen system into Ireland, and are inclined to put it in the forefront of our propaganda." The Society regarded it as of great educational value, as a neces-

sity for raising a barrier against the increasing power of usury, and as desirable in developing responsibility and business methods among the farmers. With this attitude on the part of the Society at that time, a rapid advance was made in the organization of the credit banks. Thirty-three were formed in 1899, making a total of forty-eight in operation at the end of that year. This expansion was promoted by the increased facilities for obtaining capital, for the Department of Agriculture began to supply money in 1901, the Congested Districts Board continued to give larger and larger amounts, while the joint stock banks, which at first had held aloof from the credit banks, became reconciled to them in 1902, and were willing to advance money to them. By 1904 the total capital of the credit societies amounted to over £28,000, over half of which was furnished by government loans. In the period from 1904 to 1908, when their number reached the maximum, the previously-mentioned defects came into prominence, and these, together with the reduction of the amount of government loans to the I.A.O.S. and the critical attitude toward the banks, started the decrease in the number of the banks.

In 1914, a Departmental Committee was appointed to investigate the subject of agricultural credit in Ireland, but on account of the war and the pressure of work in many directions, the Department of Agriculture has been unable to give full consideration to the recommendations of that committee. Among the most important improvements required are the extension of the period for which loans may be granted and the increase of the maximum amount of the loan, which at present is £10, an amount insufficient to meet the needs of agricultural borrowers.

In addition to the foregoing credit institutions, there are various systems by which State credit has been afforded to tenant farmers in Ireland to enable them to purchase their holdings. The earliest form of land purchase credit was the advance of money to the tenant farmer to enable him to pay the purchase price to the landlord. This system was introduced by the Irish Church Act of 1869, and its terms were subsequently extended to apply to ordinary holdings. It has been maintained side by side with the system of purchasing estates and re-selling them to the tenants under the Acts of 1903 and 1909.

In the case of sales of land made directly by the landlord to the tenant, the advances include:

(a) Advances made by the Land Commission under Acts of 1891 to 1903. The whole of the purchase money is advanced; it is paid to the landlord in cash and repaid by the tenant in annuities at the rate of $3\frac{1}{4}\%$ for $68\frac{1}{2}$ years.

(b) Advances made by the Land Commission under the Acts of 1891 to 1909. The purchase money is paid to the landlord in Guaranteed Stock bearing interest at 3%. The advances are repayable by the tenant in annuities at the rate of $3\frac{1}{2}\%$ for $68\frac{1}{2}$ years.

(c) Advances made by the Estates Commissioners under the Act of 1903. In the earlier transactions under this head the purchase money was advanced in cash, but by the Act of 1909 authority was given to make the advances, in the case of agreements pending at the time the Act was passed, in guaranteed $2\frac{3}{4}\%$ stock if the vendor would agree to this. The advances are repayable by $3\frac{1}{4}\%$ annuities in a period of $68\frac{1}{2}$ years.

(d) Advances made by the Estates Commissioners under the Act of 1909. The purchase money is paid in guaranteed 3% stock, and is repayable by $3\frac{1}{2}\%$ annuities in $68\frac{1}{2}$ years.

Under the two latter systems large amounts have been advanced for the direct purchase of land.

Besides the method of direct purchase by the tenant from the landlord, there is also the purchase, by the Estates Commissioners, of land directly from the landlord for re-sale to tenants. If this is carried out under the Act of 1903 the purchase money is paid in cash and is repayable by the tenant in $3\frac{1}{4}\%$ annuities; if under the Act of 1909, the advances are in guaranteed 3% stock and are repayable in $3\frac{1}{2}\%$ annuities.

There are also other means by which tenants may become owners of their lands, such as by purchases of bankrupt estates arranged directly by the Land Judge's Court between the landlord and the tenant, or, in other cases, arranged indirectly through the Estates Commissioners. Small amounts of land are purchased by the Congested Districts Board and resold, after improvement, to the tenants.

By these and a few minor means, large amounts of land have been transferred from landlords to tenants. The following figures give the approximate results:

Up to March 31, 1917, the total direct sales between landlords and tenants amounted to 7,771,000 acres, and the purchase price was £83,750,000, of which there was advanced £82,178,000.

Up to March 31, 1917, total amount of estates purchased for re-sale to tenants amounted to 2,495,000 acres, and the purchase price was £16,567,000, of which the amount of advances was £16,455,000.

FRANCE.

In France the co-operative credit appeals of the people have been met very largely by the state. At the head of the system is the Bank of France, below which are regional banks which include the local mutual banks of the district. The local banks in each district are generally organized on a basis of unlimited liability, though liability limited to two, three or four times the nominal value of the shares of each member is permissible. Each member, upon joining the local bank, must subscribe for two or more shares of four dollars each, of which one dollar must be paid at the start. Each society in a region then turns over the whole of its capital to the regional bank, which in turn advances to the local the necessary state funds obtained from the Bank of France at 2%, and the local loans to its members at $3\frac{1}{2}\%$ to 4%, in sums not exceeding \$1,600 to any one borrower. It must be understood that we are speaking of pre-war days, for present figures are not available. In 1910 there were in operation 3,338 such local banks with a membership of 151,621, and for their requirements the state had placed at the disposal of the Bank of France the sum of \$8,000,000.

No association may receive a loan unless made up entirely of farmers. The regional bank is held responsible for the loan and its proper use. If the loan is made for the purchase or improvement of land, a first mortgage must be given to the bank. The long-term loans to individuals provided for by the law of 1910 are also granted out of funds obtained from the Bank of France, and are administered by and through this system.

Apart from these there are the Raiffeisen-Durand banks, eight in number, co-operative in character, but receiving no state aid. These have a decidedly religious bent, being exclusively Roman Catholic. Loans are granted only to members for definite purposes, either on personal or realty security and for short or long-term period, from funds obtained through savings deposits.

The great non-co-operative institution of France is the Crédit Foncier, a limited liability company, organized in 1852. It has a capital of \$40,000,000.

and may issue bonds to the extent of its loans. These bonds are of two kinds, those made on mortgages and those made to municipalities and public institutions, and they are a popular investment in France. The regulations for the transaction of its business are very strict. Short-term mortgages are taken, but most of its business is the granting of long-term loans from ten to twenty-five years, which may be liquidated on the amortization plan.

ITALY.

The honor of establishing co-operative credit societies in Italy is due to Luzzatti and Wollemborg, two illustrious Jews, whose unselfish work has been rendered doubly effective by the sympathy and support of the Catholic Church and the State. When they began their work, the laborers and farmers of that country were sorely oppressed by the extortionate demands of the money-lenders and the landlords. Interest rates had reached the highest point on record, and supplies had to be bought at ruinous prices. Aroused by the sight of such wrongs, Luzzatti, in 1864, went to Germany to study co-operation. Two years later he opened at Milan the first co-operative credit bank in Italy. It was started with a capital of only \$140, of which \$20 was given by himself. In so doing he became the largest shareholder. From that beginning the People's Bank at Milan has grown to be one of the largest moneyed institutions in Italy. In 1909 it had 24,774 members and a capital of \$1,923,910, in ten dollar shares; a reserve of \$961,955; savings deposits of \$32,729,874; and a business turnover amounting to \$535,693,455.

Besides rising to such distinction, this People's Bank has served as a model for 735 similar institutions throughout Italy, with a membership in 1908 of 501,022, deposits of \$200,000,000 and a turnover exceeding \$320,000,000, much of which was represented in loans to farmers.

One of the main differences between these and the German societies is that these were organized and have prospered on the limited liability plan.

Through the whole of Italy, in 1913, there were at least 2,094 rural credit associations, one-third of which were non-sectarian and the rest Catholic. The former are not consolidated into any system, although about 300 of them belong to the national federation of rural credit societies, the sole object of which is to encourage the development, increase the numbers, and promote and protect the interests of these societies by means adapted to their requirements. The Catholic rural credit societies are mostly grouped in diocesan unions and united in the national federation of Catholic rural credit societies, which was organized in 1909. A large number of them do co-operative buying for members, and there is a greater tendency toward share capital than in the case of the non-sectarian associations. Otherwise there is little to distinguish the two, except that all members and officers of the one class are of the Catholic faith.

GERMANY.

In describing the conditions in Germany we must confine our statements to the period before the war, for of the facts of the present we know nothing relative to that country.

Germany was probably the first country to develop a system of rural credits, and in its organization and its adaptability to the needs of the people this system has stood unrivalled. It has been the subject of study by other people who

have used it as a model for similar institutions of their own. Of the 23 land mortgage credit associations in operation in 1913, six were founded in the period 1770-1790 and the remainder between 1825 and 1896, so that some societies have been in existence for more than 150 years.

Long-term Mortgage Credit.

Landowners in Germany, both large and small, were fortunate in the number and variety of agencies through which they could obtain long-term loans on relatively easy terms. These may be divided into three main classes, according to the purposes for which the loans were granted. In the first class there were four kinds of institutions, namely, the land mortgage credit institutions (*Landschaften*); the state, provincial and district mortgage credit banks; the joint stock mortgage banks, and the savings banks, all of which granted mortgage credit from one-half to two-thirds of the appraised value of the property, without requiring any declaration as to the purpose of the loan. The second group comprised the land improvement funds, land improvement annuity banks, and Imperial insurance institutions, which granted loans mainly for specific land improvement or building undertakings. The third group comprised the rent charge banks, which loaned for the erection and equipment of small holdings. The first was by far the most important class, having, in 1913, loans granted on landed property to the extent of nearly \$5,000,000,000.

With the exception of the savings banks and the relatively unimportant land improvement funds, all these associations obtained funds mainly by the issue of land mortgage bonds. The bonds of each institution were backed by the collective mortgages held by it, and by its reserve and sinking funds. Except the joint stock mortgage banks, they were non-profit-seeking institutions, and usually had no share capital.

The Prussian associations limited their operations to a single province. The other German state associations usually operated over their respective states. These ranked as public corporations, subject to state supervision through a royal commissioner, and their articles of association required the sanction of the Crown or the Minister of Agriculture. Local representation was a cardinal principle of these associations. None but borrowers were members, and membership ceased with the payment of the mortgage. The preliminary charges were always low and well-established institutions often made none. Administration charges, too, were small; and as the officers usually served without pay, a margin of less than one-half of one per cent. was ordinarily sufficient to pay the running expenses. Cheap and proper safeguards for loans were secured by the fact that the members were familiar with the circumstances of the borrowers; and self-interest was a sufficient incentive to prevent any unwise loan or to notify the board of any unwise use to which the money was being put.

Short-term Credit.

The short-term rural credit system was elaborate, comprising central agricultural co-operative banks with headquarters in Berlin, state institutions organized by provinces or states operating over a limited territory, and, tributary to these, there were about 17,000 local co-operative savings and rural credit societies, with a membership, in 1910, of 1,447,766, representing one-sixth of the agricultural population of Germany.

The whole scheme was designed to accommodate as far as possible the borrower in any community from the deposits of that community. These local rural credit societies derived 90% of their working capital from the deposits of members and non-members residing in their locality. The success of these societies was remarkable. It has been stated on the best authority that their depositors never suffered any loss. They made a special effort to induce savings among the rural classes, they paid 3% to 4% on deposits and loaned these to members at 4% to 5%.

These rural credit societies, or Raiffeisen banks as they have been called, after the name of the founder, had some very distinctive features, among which we may mention:

1. Unlimited liability.
2. Limitation of the area over which they carried on their work, so as to secure mutual personal knowledge regarding each member.
3. Loans made only to members and for productive purposes.
4. Absence of profit seeking.
5. Dividends paid were usually limited to the rate of interest paid by borrowers.
6. Office holders, except the secretary, usually served without pay.
7. The promotion of thrift, honesty and, generally, the moral and material well-being of the members.

The very fact that these rural credit societies flourished so greatly in competition with the great joint stock banks with their numerous agencies, and with over 200 small joint stock banks, 1,200 urban co-operative banks and 4,000 to 6,000 private banking institutions, shows unmistakably that they satisfied a great requirement of the economic life.

The capital of these societies in 1910 amounted to \$1,310,000,000, while that of the central banks aggregated \$2,520,000,000. In comparison with this we may note that, in 1913, for the furnishing of long-term loans, there were institutions which had outstanding loans amounting to \$4,975,000,000.

UNITED STATES.

About 1910 a strong movement was started in the United States for the improvement of credit facilities in rural districts, and it became a national issue in 1912. On Oct. 11 of that year the United States Government published Herrick's preliminary report on land and agricultural credit in Europe, compiled at Paris while he was American Ambassador to France. President Taft most warmly approved its recommendations, and President Wilson proclaimed his advocacy of the rural credit movement in his inaugural address, March 4th, 1913. During the same year two commissions from the United States visited Europe. Along with one of these commissions were seven delegates representing the four Canadian Provinces of Nova Scotia, Ontario, Saskatchewan and Alberta.

Following their report, legislation in the United States took form in The Federal Farm Loan Act, 1916, under the provisions of which there was established in the Treasury Department at Washington The Federal Farm Loans Bureau, under the supervision of The Federal Farm Loan Board, composed of five members, including the Secretary of the Treasury. The other four members were appointed by the President of the United States, one of them being

known as the Farm Loan Commissioner. Under the supervision of this board the whole United States is divided into twelve Federal Land Bank districts with a Federal Land Bank in each district. Each bank has a subscribed capital of \$750,000.00 in five dollar shares, mostly contributed at first by the United States Treasury. Under, and in affiliation with, this land bank, the farmers form local "National Farm Loan Associations" of borrowers. Each borrower must subscribe for stock in the Federal Land Bank (through his local association) to the extent of 5% of the amount of his own loan and no more. He can borrow from \$100.00 to \$10,000.00, and must pay his stock subscription when the loan is granted.

Loans are secured by first mortgages on the land of the borrowers, and must not exceed one-half of the value thereof and 20% of the value of the improvements, which must be kept insured. The proceeds of a loan must be used for paying for the land and for productive purposes. Mortgage loans are taken for five to forty years and are paid off on the amortization plan, with the further provision that the borrower can pay all or any portion of the loan at the end of five years, or at the expiration of any year thereafter. The interest rate must not exceed 6% (now 5½%). The borrower's stock earns dividends during the term of the loan. When the mortgage is paid the stock is redeemed at par and retired.

Each district Federal Land Bank has power under the approval of the Federal Farm Loan Board:

1. To issue and sell farm loan bonds, of the kind authorized under the Act; to buy the same for its own account, and retire the same at or before maturity.
2. To invest such funds as may be in its possession in the purchase of first mortgages on farm lands situated within its own Federal Land Bank district.
3. To receive and deposit in trust, with the farm registrar of the district, to be by him held as collateral security for farm loan bonds, first mortgages upon farm lands under the Act; and to empower National Farm Loan Associations to collect and pay to the said land banks the dues, interest, amortization instalments, etc., under the terms of the mortgages and the loans secured thereby.

The whole business is under the strict supervision of the Federal Farm Loan Board.

Between 1917 and June 30th, 1920, thousands of farmers have taken advantage of the provisions of the Act. Some local associations have over 200 members, and have obtained over \$500,000.00 in mortgages. In all, up to the above date, \$518,000,000.00 has been loaned upon farm mortgages. The work under the Act is at present held up through litigation on the part of the Farm Mortgage Bankers' Association of the United States, which has disputed the constitutionality of the legislation.

PROVINCE OF QUEBEC.

In the whole history of mutual savings and co-operative credit movements there is no country where these have attained a higher degree of perfection than in our sister Province of Quebec, as outlined in a brief account of the operations of "The Co-operative People's Bank," by a Canadian, M. Alphonse Desjardins, who is correctly termed "The founder of co-operative banking on the American Continent."

To avoid possible confusion, it may be well to state that the Co-operative People's Banks of Quebec, the People's Banks of Italy, the Co-operative Credit Associations of Germany and other European countries, while differing in many details (chiefly in respect to the liability of members), are essentially alike, in that they are co-operative agencies which encourage community service, stimulate thrift, and put at the disposal of the honest and industrious, for beneficial purposes, those funds which they have accumulated, and which, through their combined credit, they have obtained from other sources.

M. Desjardins was born in 1854 at Levis, Quebec, and was educated at Levis College. He was a journalist by profession, but gradually became interested in the problem of usury, through frequent references to it in the press, and more particularly in the deplorable revelations brought to light by lawsuits in Montreal, where poor borrowers had been obliged to pay infamous rates of interest for very small loans. For twenty years he studied the co-operative credit associations of Europe, familiarizing himself with the history of their growth and development. Forceibly struck with the meagre borrowing resources of the poor, and realizing that they have the same economic needs as in the past, after studying the habits, surroundings and necessities of his fellow Canadians, he at last succeeded in evolving a new type of People's Bank. Its two guiding principles are to inculcate a spirit of thrift, and to give credit. In every case the good character of the borrower is the first security required. Each society is confined to a small area and a small membership, for the reason that its members are known to each other, and it is the stable portion of the community it seeks to benefit.

Who should be members? Everybody who is honest, sober, industrious and loyal to the institution—men, women and children. Money is a secondary, not a primary, consideration; because a People's Bank is, above all, an institution aiming at the betterment of its members rather than mere profits—an association of honest individuals rather than one of mere funds, like a joint stock company. If money were the first consideration, the institution would be deprived of its genuinely social character. Being above all a sort of manufactory, where capital is turned out by the spirit of thrift, not a reservoir of funds already accumulated and looking for a good investment, this bank aims, primarily, to serve all the people, not those who look only for large returns on their investment. Easy of access, it is an ideal institution in the restricted area in which it operates. By its family nature it invites husband, wife and members of the family to put in their savings individually, however small—a striking recognition of the children—accepting the pennies of the poor and not refusing the dollars of the well-to-do. It thus recognizes, encourages and teaches the boys and girls to take the places of their fathers and mothers in new homes in future years, enabling them the better to fulfil their duty as true citizens, in the home and to the state.

Funds.

Funds are secured by savings deposits and by five-dollar shares subscribed by members, either of which may be withdrawn at any time. The whole system is voluntary, with no provision for either limited or unlimited liability, although it goes without saying that if any officers were found guilty of fraud they would be punishable by law. Confidence is the great basis of security.

Management.

Officers are elected at the annual meeting of shareholders, each of whom has but one vote. There are three committees—a Board of Administration, with five to nine members; a Credit Committee of three members, and a Board of Supervision. The manager, who is the only paid officer, is chosen by the Board of Administration.

Reserve Fund.

A Co-operative People's Bank must lay aside yearly at least 10% of its net surplus as a reserve fund, until the latter amounts to at least double the liabilities represented at any time by the members' shares and the deposits. To encourage the perpetuation of the society the law prescribes that, in case it ceases to operate, the reserve fund must go to some purpose of public utility to be designated by the Lieutenant-Governor in Council. The loans are for both short and long-term credits. A most remarkable fact that deserves special emphasis is that after years of experience with from one to one hundred and fifty of these banks in the Province of Quebec not one cent has ever been lost on their loans.

MANITOBA.

The Government of Manitoba through legislation has met the long and short-term credit requirements of the farmers of that province by the passage of two separate Acts.

Long-Term Mortgage Credit.

Under the provisions of the Manitoba Farm Loans Act, 1917, there was established the Manitoba Farm Loans Association, with an initial capital stock of \$1,000,000.00 in five-dollar shares, to be administered and managed by a board of five members to be known as the Manitoba Farm Loans Board, appointed by the Lieutenant-Governor in Council. One member is to be known as the Farm Loans Commissioner.

Any person desiring to obtain a mortgage loan must apply to the Board and subscribe for shares in the capital stock of the Association to the amount of five per cent. of his proposed loan. This stock is to be redeemed at par when the loan is repaid. All mortgage loans are secured by first mortgages upon the lands of the borrowers, and must not exceed 50% of the value of the property. Loans are made for acquiring land for agricultural purposes, for clearing and draining, for erection of buildings, for purchasing live stock and for other productive purposes. The loan is granted for a 30-year period, to be paid off on the amortization plan, and with the further privilege that the borrower is allowed to pay all or any portion of the loan at the end of five years, or at the expiration of any year thereafter.

To obtain the necessary additional funds to carry on the business of the Association, the Board is empowered to issue and sell 5% bonds on the security of its first mortgages and guaranteed by the Government of Manitoba. It is also empowered to solicit and receive cash deposits repayable on demand which will bear 4% interest. Both interest and principal of such deposits are also guaranteed by the Government of the Province.

The Manitoba Farm Loans Association has already firmly established its position as a necessary and practical business organization. During the first 21 months of its operation it made 760 first mortgage loans, aggregating over \$2,000,000.00, to the farmers of the Province.

Short-Term Rural Credits.

During the same session the Legislature enacted the Rural Credits Act, under the terms of which the farmers in any municipality or locality within the Province may organize themselves into a Rural Credit Society, through the medium of which they may obtain short-term credits on favorable terms. Any fifteen farmers desirous of so organizing may make application in the proper form to the Provincial Secretary and, when their application has been accepted, may at once proceed to organize the society.

No society can commence to do business until it has 35 farmers as members, each of whom subscribes for one hundred dollars' worth of capital stock and pays in \$10.00. The Government and the Municipality in which the society is situated then each subscribes for one-half the amount of stock taken by the individual members. The society is managed by a board of nine directors, three elected by the individual subscribers, three by the Municipality and three by the Lieutenant-Governor in Council. Of the latter one must be an agricultural expert, and he is usually appointed on ten or more Rural Credit Society Boards in the locality, to ensure uniformity and thoroughness in the business of these societies. The Secretary-Treasurer, who is the manager of the society, is the only paid officer of the board; the others receive only their expenses. Loans are granted to worthy persons, for productive and necessary purposes, for short-term periods.

The boards of directors meet two or three times a year, usually in the early spring. Any member desiring a loan makes application to the Secretary, stating the purpose of the loan, and submits also a statement of his financial standing. If the application is approved he is granted a line of credit for a year. He can obtain any portion of the sum at any time upon his note, and may pay it back any time during the year with interest for the time he has the loan. When the Act was passed the Government arranged with the chartered banks to advance the amount of the loans to the borrowers, through the societies, under the joint guarantee of the society and the Government, at 6% per annum. The society charged its members an additional margin of 1% to defray expenses.

The scheme has been most successful. In 1919 38 Rural Credit Societies granted credits of \$1,051,876.00 to its members, and the borrowers have met their obligations well.

These two means of supplying favorable lines of credit to the farmers of Manitoba have resulted in a great reduction of interest rates, not only to members, but to the farmers of the Province as a whole, and there are now 66 Rural Credit Societies in existence in the Province.

Everything went satisfactorily until February, 1920, when the chartered banks refused to advance any more funds at less than 6½%. These terms the Provincial Government and the societies refused to accept, and the Government itself, through the Provincial Treasurer, advanced to the societies for the needs of the present year \$1,300,000.00.

The Legislature, being in session, at once enacted the necessary legislation for organizing the Province of Manitoba Savings Office, to receive deposits personally and by mail at 4% per annum, compounded half-yearly. These deposits are guaranteed by the Province of Manitoba both as to principal and interest. This new system of receiving savings deposits at 4% interest is meeting with a favorable response.

THE SOLUTION.

In view of the information herein presented of the remarkable results following the institution and operation of favorable systems of mutual savings and cooperative rural credit societies in the various countries of Continental Europe, and the further fact that in the Province of Ontario, apart from the commercial banks, which do not now, and under the present organization and system of regulation will never meet the necessities of the most needy section of our agricultural people, the question may well be asked, *How is this problem to be solved?* Again we must repeat—it is the ever recurrent experience that if the farmers of a country continue to leave the direction of their interests in the hands of other classes, those interests will be very largely exploited for the benefit of such classes. Experience teaches that the welfare of the people can best be secured by institutions organized and operated by the people. It is a social duty and a mark of true citizenship to take an interest in and aid community service.

The proper solution can best be reached by a calm study of the real characteristics and requirements of the people, both social and economic. Such a study at once reveals three striking sources of weakness in our rural conditions.

1. The entire absence of a suitable system of rural credit facilities, more particularly to those who really require such provision. These facilities are a necessity to the hard-working farmer and laboring man in straitened circumstances and struggling to meet his obligations. Not only would these be a boon to such, but there would be benefit to every business farmer and laboring man from having access to loanable resources at any time, under proper safeguards and upon favorable terms. Many a time these classes might use such facilities to advantage when, if the terms were not so favorable, they would allow the chance of securing such assistance to pass by.

2. The entire absence of a suitable reservoir of money to support a credit system for the loaning of funds. How can this be created? The answer is clear. Recall for a moment the immense deposits of the savings and rural credit societies of Italy and Germany; the 635 mutual savings banks of the New England and other States, which in 1911 had depositors to the number of 7,690,973 and deposits of \$3,458,883,612.00. Consider that on the 30th June, 1920, there was on deposit in the chartered banks of Canada, yielding 3% upon minimum monthly balances, the sum of \$1,243,000,000.00, and think of the possible fund that might soon be available if Provincial savings offices were opened, offering 4% interest on deposits, and with the latter guaranteed by the Government of Ontario.

3. A weak community spirit. We have grown entirely too individualistic. The social side of the life of the older sections of rural Ontario requires to be more keenly cultivated and developed.

This problem in Canada cannot be solved nationally. With such a continental stretch, and with such diversity in race, creed, character and social and economic environment, it must be dealt with in more limited areas. The facts of this report teach us that the Province of Manitoba, with 66 rural credit societies developed in the short space of three years, if it continues to make progress in the future to the same extent and in the same direction as at present, will place the people of that Province upon the very threshold of their own solution. Turn again to the good work and the wonderful results attained by the people of the Province of Quebec. Ontario citizens are altogether too prone to look upon these people as a rather primitive and somewhat benighted race. In the solution of this vital problem they furnish a striking object lesson to the rural classes of Ontario.

What will the establishment of a favorable system of mutual savings and co-operative rural credit societies do?

It will tend to nurture and develop the community spirit of our rural people, which is to-day one of the weakest characteristics in our whole social fabric. In the process of nourishing this community spirit, it will train them in the principles of business; train them to direct and look after their own interests, as one of the most important factors in the body politic; and, in the process of so doing, it will also provide them with the other two requirements, namely, the system of credit and the necessary reservoir from which such credit may be obtained. Through the workings of such a system it puts the savings of the people at the disposal of the people. It becomes a school of training, a school of business, a school of thrift, which every one can attend, helping through the spirit of enterprise and through the virtue of providence. It is this double character which caused Luzzatti, the illustrious founder of the Italian People's Banks, to say that these institutions are "perfected savings banks." From an economic point of view, they are the triumphant success of an honest and industrious democracy.

7. THE SOLUTION OF THE FARMERS' SHORT-TERM CREDITS.

Since the security which can be given for a loan is the most important determinant in the granting of the loan, and since both the amount and the rate of interest of the loan are dependent upon the security which can be offered for the payment of the interest and the repayment of the principal of the loan, the question of the security which the borrower can offer is the most vital consideration which must be taken into account in the making of a loan. In the case of a loan made to a commercial or industrial concern upon a note which runs for, say, two months, the loan is secured by the credit of the borrower as well as by collateral security which can be readily sold in order to make good any possible default in the payment of the note when due. But, in the case of the farmer, if his name affixed to his note is not ample assurance that the loan will be repaid at the period of maturity, he has frequently no other security which would satisfy the requirements of the commercial bank from which he obtained the loan. He could not offer the bank, in the hope that the latter would accept unhesitatingly as collateral security for the loan, a lien upon his growing crop or a chattel mortgage upon his stock or any other forms of his working capital, for these would not be readily saleable under all conditions, and, consequently, the bank's funds would be

ties up in investments upon which it could not be sure of realizing at any time. This would be contrary to the law and the time-attested practice of the chartered banks.

It is evident, therefore, that some other kind of security is essential if farmers as a class are to be able to borrow upon terms which are acceptable to the lender. As we have shown in earlier sections of this report, when describing the systems of Germany, France, Italy, Manitoba, etc., experience has proved that the best solution for this inadequate individual credit is collective or co-operative credit. The borrowers in any community ally their interests by the formation of a rural credit society and the repayment of the amount borrowed by any individual member of the society is guaranteed by the society itself. This introduces the collective liability of the organization behind the individual responsibility for the repayment of a loan. With a society composed of thirty to one hundred members, many of whom have large amounts of fixed capital and of other tangible assets, it is almost inconceivable that the group liability should ever fail; in fact, it would seem as if this were about as perfect a security as could be desired. By this means, then, the most vital element to be considered in the granting of a loan, namely, the security, has been brought to the highest point attainable through this combined responsibility for the loan, and we should naturally expect that under these circumstances, with the risk reduced almost to *nil*, the borrower would be able to secure his advances at a low rate of interest—much lower than in the case of individual liability. In the latter instance there are many factors which cause a large measure of risk, for the particular circumstances, either personal or material, may change overnight; but with collective responsibility there is the elimination of any risks attending the individual.

Having the security, then, of undoubted strength, how should the farmer obtain his short-term loans on the basis of this security?

Through his rural credit society he may approach the chartered banks, and, with his unquestionable security, expect favorable action from them.

But, strange as it may seem, the officials of the Canadian Bankers' Association have stated to us that they do not see how they could be more liberal to borrowers organized into a rural credit society with collective liability than they are now to individual borrowers.

Moreover, under the recognized practices of sound commercial banking in all countries, banks cannot loan for a period exceeding three months, although under favorable conditions they not infrequently renew a loan at the end of that time. The farmer, therefore, cannot be sure, when he gets a loan from the bank for three months, that he will be able to have it renewed at the expiration of that time. Consequently he hesitates to accept a loan from a bank under these terms, for he knows that a loan which does not extend beyond three months, so that it can be turned to productive account, is of little use to him.

We have already shown that the Canadian Bank Act is not favorable to the granting of loans to farmers, even if the bank managers were, as frequently they are, desirous of extending greater credit facilities to this class of borrowers. The banks cannot transcend the laws under which they are required to operate, and when these laws act to restrain them from loaning freely to farmers, notwithstanding the desire of many branch managers to do so, it is evident that farming operations are unduly hampered because of this fact. Like all others, bankers must live within the letter of the law, no matter what important interest may suffer by their so doing. We are sometimes told that the farmers get all the credit

to which they are entitled. It scarcely seems possible that reasonable men should make such a statement, when they know that the Bank Act forbids the granting of loans to farmers under the favorable conditions on which they are made to business men, and when those branch bank managers who are in closest touch with the farmers recognize the necessity of the agricultural classes receiving loans upon a more acceptable basis.

If, then, the banks are not allowed to make loans to farmers except in a few special cases, we must look elsewhere for the funds which are required to meet the farmers' demands for loans. To what source shall we turn? In Canada there is no other financial institution which is in the position to make such short-term advances as are regularly required. It is true that in the Province of Ontario we have at least one loan company which recognizes that in return for the use of large amounts of savings deposits received from the farmers in that vicinity its first duty is to these farmers; and this company is loaning these savings deposits to the farmer depositors at rates which but slightly exceed that paid on the deposits. But this is so exceptional that we may dismiss it with the mention of it. The fact is that the loan companies are not allowed to fulfil the functions of a bank, although there is a borderland between the two kinds of institution in which the loan companies may slightly encroach upon a certain part of the field of banking and still remain within their own domain.

It would seem, therefore, from what we have just said, that we shall have to create a new institution for furnishing these short-term advances to farmers. It would be natural that the savings of the farmers as a class should be used primarily to finance the farmers; that the surplus funds of some should be used to take care of the needs of others. No valid objection could be raised to such a policy. If the farmers as a class wished to go into the field of banking in order to carry on an institution which would provide more adequately for their financial necessities, it seems as if there could be no impropriety in such a course. Each class to-day is permitted to carry on its work and make provision for its protection and its needs upon the basis of enlightened self-interest.

And, briefly, this is what we propose as a means of caring for the short-term requirements of agriculture. There should be established with private capital a savings institution. This could not be called a savings bank, for the Bank Act has prevented any other institution than a chartered bank from using the name "bank," but it could perform the functions of a savings bank in all essential respects. This savings institution would have power to receive on deposit the savings of farmers and others and to pay interest on these savings at the rate of four per cent. per annum. They would be guaranteed by the Provincial Government, and the depositors would have the same right of withdrawing any part or the whole of their savings as they now have in connection with their savings account in a chartered bank. Under this system the depositor could invest his funds at four per cent. interest and have the security of the Government that he would be able to get them at any time when he needed them. From the large amounts of money which are held by the banks in savings accounts, it is indubitable that this savings institution, by paying four per cent., whereas the banks are paying but three or occasionally three and one-half per cent., would soon have a large volume of savings for investment purposes. An increase of the interest rate of 33 $\frac{1}{3}$ % would certainly draw forth savings from a great variety of sources, especially when, with the Government guarantee, there would be absolutely no chance of failure. The way should be left open so that anyone with funds for deposit could secure the

advantage of this favorable rate of interest. Out of these savings, which would almost certainly pour into this institution when once its benefits were realized, all the demands for farmers' short-term loans could be fully met, at a rate of five or not more than five and one-half per cent.

In the granting of these short-term loans the work of the rural credit societies would be of the highest importance. We have already shown the organization of such societies in the Province of Manitoba and have made clear the fact that the persons who can most satisfactorily determine whether a farmer can use a loan successfully are those who are intimately acquainted with him through close contact at all times. They know his character, his veracity, his honesty, his ability as a farmer, his promptness in meeting his obligations, the value of his stock, implements, machinery, buildings, etc.; in fact, they know every important detail concerning him which should be taken into consideration in deciding as to whether he should get a loan or not. In this respect they are in an entirely different position from that of a local branch bank manager, who in most cases has no contact with the farmers, and, therefore, cannot know to whom he should make loans. As in the Manitoba system, our rural credit societies should be so constituted that all the loans of their members would have to be passed upon by the Board of Directors of the society in which the applicant was a member. The final authority for the granting of a loan would rest with the Board. If a member applied for a loan of, say, \$800 for the year, and the Board, after careful consideration, decided that he could not use \$800, but could use \$500 safely for the purposes specified, they might approve his loan for that amount, and if after being shown the reasons for this reduction the applicant were willing to accede thereto he would make out a new application for a loan of \$500, which would be approved by the Board. After each application for a loan had been thus acted upon deliberately, those loans which were approved would be handed on to the savings institution from which the loan would come. The approval of these loans by the Board of Directors of the rural credit society would constitute a guarantee on the part of the society for the repayment of the loan. The only responsibility, therefore, on the part of the savings institution would be to see that the individual got his credit to the amount approved by the Board.

We would suggest that the organization of the rural credit societies in this Province should be different from that in Manitoba. In the latter, as we have already described, one-half of the capital stock of the society is subscribed by the farmers, one-quarter of it is taken by the municipality, and the remaining one-quarter is taken by the Provincial Government. We are firmly convinced that in Ontario all the stock of a society should be held by the farmer shareholders. Our object in making this change would be to keep the society clear of any complication with the Government or with the municipality, and *vice versa*. The society is an economic, not a political, unit; it is formed to further the interests of the farmers in their short-term borrowing, and the injection of even the appearance of politics would tend to disrupt the society and turn it from its primary economic purpose. Moreover, if the Government had to take one-fourth of the capital stock of each society formed, it is not difficult to see that when these societies begin to multiply largely, as they are very likely to do, the Government would have a large sum tied up unproductively in these organizations.

Then another change from the Manitoba system which we recommend for Ontario is in regard to the composition of the Board of Directors of the rural credit society. The reader will remember that in Manitoba each Board is com-

posed of nine members, three chosen by the farmers, three by the Government, and three by the municipal council. We suggest that of the nine members of an Ontario rural credit society's Board, six should be chosen by the farmers and the other three by such organizations or associations as are best calculated to understand and to promote the welfare of the agricultural interests. This will keep the control of the society in the hands of the duly elected representatives of the farmers, and yet will secure, through the presence of the other three members of the Board, men of good ability, of permanent interest, and with a wider viewpoint than that of the local community.

The savings institution, which would be located in Toronto, would be able to accumulate its deposits through the societies throughout the Province, as well as by other means which will be familiar to those who have a knowledge of our banking practices. But how will this savings institution arrange that loans which have been approved by Boards of Directors of societies shall be made available to the borrowers, since it has not the regular powers of a bank? Without committing ourselves to a final policy, we may suggest how this might be done. The institution, like any other business concern, might keep on deposit with one or more of the chartered banks in Toronto a suitable balance, upon which it would be reasonable to expect the same rate of interest as our proposed savings institution would allow on deposits. When it desired to place, say, \$500 to the credit of a farmer near the village of "X," it would request its bank in Toronto to notify its branch in that village to give this particular farmer a line of credit up to \$500. The farmer would then be able to get the funds just as he needed them, and would not be required to pay interest on any more funds than he was actually using. The balances would be settled through the clearing house, just as is done at the present time.

8. THE SOLUTION OF THE FARMERS' LONG-TERM CREDITS.

We have shown that most of the mortgage loans now made to farmers in Ontario are granted by private individuals, and that so far as this Province is concerned the mortgage investment companies need not be considered. We have also shown that while the system of private mortgagees has some advantages it cannot be relied upon as a provincial method of meeting the situation with any assurance of success.

There remain, therefore, certain other possibilities, which we must now discuss.

One means of providing for long-term or mortgage credits would be by having the Government furnish the money and administer the system of loans directly, probably through the Provincial Treasurer's Department. This would be a simple method of satisfying the requirements. The Government could use part of its regular revenue for this purpose, or, if necessary, could secure funds through the sale of its bonds. Then these funds could be applied to meet the wants of those who desired to borrow for long terms. The Government would send an appraiser to value the land of the applicant for the loan, and then it could decide as to what amount it should advance upon the mortgage security. At the present time the Soldier Settlement Board makes loans to returned soldiers up to ninety per cent. of the value of the lands they occupy, and this policy has been suggested, especially by some in New Ontario, as the best means of meeting the settlers' needs.

We are not prepared to recommend any such system as this, for the following reasons:—

1. The financial burdens of the Province after the Great War are already very heavy, and will be so, in all probability, for many years to come. Anything, therefore, which will add to these burdens unnecessarily, except as an emergency, cannot be seriously entertained.

2. The introduction of the Government into business which can be conducted successfully for all parties by private capital leads to complications which in many cases must be deplored. In this case, we fear that undue pressure would be brought to bear upon the Government in the granting of loans. The tendency would be, in the case of most governments, to grant better terms to their political supporters than to their opponents, and this trafficking in loans by men who were seeking political offices or preferment would lead to abuses of many kinds. For instance, some who were desirous of a seat in Parliament would be very likely to offer to use their influence to secure for farmers larger loans than would be safe, in return for the farmers' votes. And who can doubt that this would be a potent appeal, especially to many who now find trouble in financing their enterprises!

3. Even were there no political objections to this policy, it is open to the charge that there would probably be too much "red tape" in its administration. If, as a result of the Government's desire to safeguard the system, the latter became clogged with a multiplicity of obstructionist details, so that the man who needed a loan at a particular time could not get it until some weeks or months after the need had passed, it requires no imagination to see the early termination of the usefulness of a well-meant project.

The foregoing reasons, and others which will occur to anyone familiar with governmental machinery, are sufficient to create an effective barrier to the introduction of the Government directly into the farm loan business.

But if direct action by the Government is not desirable, there is the possibility that the Government could provide the funds for loaning and leave the administration of the system in the hands of a properly constituted board. This is the method which has been adopted, for instance, in Manitoba and in the State of South Dakota, and, apparently, with some success in each case. Like the preceding policy, this, too, would enable the farmers to get their loans at the lowest rate of interest obtainable in the money market, for the Government would be able to borrow its funds at a lower rate than an ordinary mortgage or loan company, and, consequently, could give it to the farmers at a lower rate than could such a company.

But most of the reasons against the first method will hold good here also. Even though the Government did not put the system into operation directly, but, as here, indirectly, there would always be the danger that this board, being appointed by the Government of the day, would partake of the nature of a political institution, and would be subject to all the uncertainties pertaining to such appointments. In handling such important business as these long loans there should be an institution with as much stability of policy and personnel as possible, and this would be difficult of attainment through a managing board composed of political appointees.

Since, then, it is unwise to have the Government assume the active direction of a system of farm loans, we come back to the desirability of having the business managed by a private institution. This brings to the foreground the policy which we have elaborated for taking care of the business of long-term farm loans.

We propose the organization of a land mortgage bank (we shall use this name for the sake of convenience in this report) to act in conjunction with the rural credit societies. This bank should have a capital stock of \$500,000, subscribed and taken by farmers, and payable in instalments of about twenty-five per cent. When one-half of the stock has been paid in, the bank is ready to commence operations. The applications for long loans are passed upon, in the same way as those for short loans, by the directors of the rural credit societies, and their approval of the loans is handed on to the land mortgage bank in Toronto. Before the bank can grant a loan it must satisfy itself that the valuation of the applicant's land and improvements, as made by the directors of the rural credit society, is safe and conservative, and, therefore, it sends an expert appraiser to make an independent valuation. Besides making the valuation, he answers certain important questions regarding the applicant, his farming methods, his soil, etc.; in fact, he gives his estimate of the whole situation as he has "sized it up," and states whether he is satisfied that the combination of the personal and material factors is such a risk as the bank would be warranted in assuming. The appraiser's report is attached to that of the directors of the rural credit society and the application, and the whole matter is referred to the directors of the land mortgage bank for final action. If the security is satisfactory and the character and ability of the applicant is unquestionable, there will be no hesitation in granting the loan. The applicant will have to furnish a clear title to the land and execute a first mortgage in favor of the land bank. These two documents would be retained by the bank or by a trustee, and the applicant would receive the amount of the loan for which he had made request.

As soon as the land mortgage bank had issued loans out of its paid-up capital to the extent of, say, \$75,000-\$100,000, it could then mass these mortgages, and upon that security could put out a series of debentures which could be sold to investors (farmers or others), and the funds obtained from the sale of these debentures could be used to make further loans upon first mortgages on other farm lands. As soon as additional loans had been made to the extent of \$75,000-\$100,000, another series of debentures could be issued in the same way as the first. These debentures, with the Government guarantee, could be sold, say, on a 6% basis, and the bank could give the farmers their loans at 7%, the one per cent. spread being sufficient to provide for all the expenses of the bank. They should be issued in such a way that they could be called in and redeemed as the farmers' payments were made, and the time in each case should be fixed so as to correspond very closely, thus avoiding as much as possible any temporary financing to utilize the bank's periodically accruing income.

It is not anticipated, however, that during the continuance of the present disturbed condition of the money market, when interest rates are so high, there will be any great development of the mortgage loan business; not until the long-term rate is reduced below 7% will farmers undertake on any great scale to secure the advantages from the use of mortgage credit.

These loans should be made, for periods of five to thirty years, on the amortization principle, requiring the borrower to pay the interest and a small percentage of the principal of the loan every year; but provision should be made that the borrower could pay off all or any part of the principal on any interest date after five years. In certain cases it might be desirable to arrange the loan so that the borrower would not need to pay anything for two years, so as to allow him to get started, and after that his payments of interest and principal would begin.

The longer the period over which the loan extends, the smaller would be the annual payment on the principal; in this way provision would be made for the farmer who is just beginning or who is working under many difficulties, and, at the same time, the stipulation that he can pay off his loan as fast as he is able makes satisfactory arrangement for the later years when he has become more prosperous.

We cannot emphasize too strongly the advantage of this long-term financing. When the farmer has made his financial arrangements for perhaps twenty-five years, he then has something upon which he can calculate. There is nothing uncertain here. He knows that he does not have to save every cent in order to pay up a loan made for only five years. He can, therefore, embark upon the best methods of farming of which he is capable, and can turn his ability as well as his land and capital to the best account for the long-run results. The payment of a definite amount each year enables him to arrange his affairs with a view to securing the highest productive efficiency. It enables him to plan for certain results years ahead. This is economy in the most real sense. It furnishes an incentive to turn personal ability, material assets and opportunity to the attainment of their most complete fulfilment.

The extent to which the land mortgage bank should make loans to individual farmers is a subject which should be decided with very great care. There are not a few people, some of them leaders in their respective communities, who think that under careful supervision the Government could loan many a farmer of good character up to 90% of the value of his land, as the Soldier Settlement Board is doing. Such a policy would enable young men, well qualified in other ways, but without much capital, to take up agriculture and become landowners in the shortest reasonable time. We would like to see the best chances given to such men; but we must consult safety first, and we cannot accede to any proposal like this. The land mortgage bank which we would establish is a private institution, and must not embark upon any course which is not dictated by prudent judgment. Under the legislation governing the companies which were formerly engaged in this business, loans are permitted to the extent of fifty per cent. of the value of the property. But in recent legislation in other countries it is being recognized that the value of the permanent improvements upon the land, as well as the value of the land itself, should be taken into consideration in determining how much may be loaned to a farmer; and it seems to be generally agreed that it is safe to loan up to fifty per cent. of the value of the land, plus twenty to thirty per cent. of the value of the permanent insured improvements. To this extent, then, we favor the granting of loans in Ontario. We are convinced that there should also be a minimum and a maximum to any individual loan, and we would fix the former at \$500 and the latter at \$12,000. One reason for setting this maximum is that the system of rural credits which we propose is intended to aid the actual farmer, not the dealer or speculator, and a limitation of the amount that can be loaned to any one farmer will serve to prevent the use of the legislation for the purpose of speculation in land or for buying up large blocks of land.

There are certain features of this land bank project which we desire now to discuss.

First. As to the amount of capital. It would be unwise to start with anything less than the above mentioned \$500,000, for this institution would have to do business over the entire Province. With a smaller capital stock it would not have the financial strength that is necessary for doing such a volume of business

as would be required, and its bond issues would not command as much confidence nor be so readily saleable. It may seem a large amount to require to be subscribed by farmers; but when we remember how largely this class bought Victory Bonds, and how, since the war, they have contributed to other enterprises which have been for their welfare, we cannot doubt that if they were shown clearly the advantages of this bank, and a strong campaign were inaugurated to get the stock subscribed, it would soon be an accomplished reality. In case it were necessary for the first year, in order to get the bank into operation, the Government could take the remainder of the unsubscribed stock until the full amount could be subscribed by farmers. This is to be an institution for the welfare, primarily, of the farmers, and we do not hesitate to believe that, recognizing its vast importance, the farmers would not allow it to fail of subscriptions. The farmers of New Ontario would obtain their loans in this way through the assistance of those in the older parts of the Province who have funds to invest in this institution, and thus there would be a clearly manifested solidarity of interests on the part of all who are engaged upon the land. It would be desirable also to have each rural credit society subscribe for a small amount of the stock of the land bank, for in this way there would be established a closeness of tie between these two organizations which would be for their mutual welfare.

Provision should be made that the capital stock of the bank might be increased from time to time as found necessary. There are so many possible and profitable extensions of the field of operation of the bank, which we need not mention here, that if some of these were to be undertaken it would be advisable to have the capital stock augmented to keep pace with the expansion of the bank's enterprise.

Second. As to dividends. The dividends payable on the stock of the land bank should be strictly limited by legislation. It is not the primary purpose of the bank to make profits for the stockholders, but to serve the interests of agriculture by furnishing long loans to farmers at the lowest possible rate of interest. It is necessary to have this principle impressed upon the organization from the first, and to have it so firmly fixed in the minds of the officials that it will be the spirit underlying all the activities of those who may be entrusted with the management. If this be not effected, there will be great danger that, subsequently, the stock and the control may get into the hands of men who, forgetting the original purpose, will use the institution for their own mercenary ends. There is no doubt that such a bank could be used, when well established, to turn large profits into the hands of the stockholders; but this must be scrupulously avoided in order that the object of its formation may not be defeated. The maximum dividend should be placed at seven per cent., for the following reasons:—

- (1) Because that amount is needed as an inducement for a man to assume the risks of a stockholder by purchasing shares of the bank and thus contributing capital to the bank.
- (2) Because this rate is on a par with rates which now prevail for preferred stock in safe and conservatively managed corporations.
- (3) Six to six and one-half per cent. can be obtained from investments in the bonds of governments and municipalities which have no element of risk at all; but in this case there is a slight amount of risk at the first, and, consequently, the dividend rate must be a little higher than the interest rate on these bonds.

- (4) The rate should not exceed this maximum, because otherwise it would tend to develop a speculative quality in the stock, which must be obviated. The bank is intended to keep the rate on its loans as low as possible and as uniform as possible, both as to time and locality, and every precaution must be taken to insure these results.

Third. As to reserve fund. This bank, being a fiduciary institution, must jealously guard its standing in the estimation of the public. Its financial status must be such as to command the confidence both of those who borrow from it and those who furnish its capital. Before declaring any dividend, therefore, it should make ample provision for a reserve fund, which will give a strength and a stability to it. With this end in view it should set aside to Reserve Fund account, out of its profits, semi-annually, 25% of its net earnings until the credit balance of this account should amount to 25% of the outstanding capital stock. If this fund should be drawn upon, so that it became impaired, the balance of 25% should be restored before the declaration of any dividend. After the Reserve Fund has reached the 25% of the outstanding stock, there should be added to it annually 5% of the net earnings of the bank. In this way, as the bank's operations expand its Reserve Fund would also increase.

In connection with this subject, we would say that it is desirable to limit the loaning power of the bank, at least during the early years of its existence, and to preserve its soundness, it should not be allowed to issue bonds beyond an amount which would be twenty times the sum of its capital and reserve.

Fourth. As to taxation of the land bank bonds. This is a very important matter. If the bonds were made tax-exempt they could be sold at a lower interest rate, and, consequently, the farmer could get his funds at a correspondingly lower rate. Then, too, this provision would cause the bonds to be more easily marketable, and there would be less difficulty in selling them, even in the present stringent money market. Now it is of the highest importance that the farmers should be able to get their loans at the lowest rate of interest, and the Government, if it wished, has power to make these bonds free from all taxation in the Province, in the same way as municipal and government bonds are tax-free. This was done in the United States in 1916, when the Federal Farm Loan system was established: but action was taken and a suit instituted, as we have already noted, by the Farm Mortgage Bankers' Association of America to test the constitutionality of the tax-exemption feature of the farm land bonds, and, as a result, that system has been for many months in a state of practical suspension. If there were a great emergency in the development of agriculture in Ontario, we should not hesitate to recommend that these bonds of the land mortgage bank should be made tax-exempt; but the situation does not seem sufficiently critical to demand such action. We may state our other reasons for leaving these bonds taxable:—

- (1) There is at present among the farmers a strong sentiment in favor of equality of treatment for all and special favors to none, and they have been working for this end to the utmost of their power. With this principle so firmly ingrained among them, it is almost certain that they would never sanction the exemption of the land bank bonds from taxation.
- (2) While we hope that the farmers would invest in these bonds and take the larger part of them, it is possible that the bonds might, either immediately or at a later time, get into the possession of corporations or of

men of wealth, who are continually seeking means of evading taxation. In this way, those firms or individuals who are most able to bear their share of the taxation burdens, would go scot free and those who were less able to bear taxation would have to contribute the more.

- (3) There seems to be no necessity to make them tax-exempt, because in this Province there is no income tax; consequently since there would be no tax upon the income from the bonds, there is no need of having the latter specifically described as free from the income tax. This, of itself, would seem to be a sufficient reason; but we must remember that there is the Dominion income tax which would take its toll from those who derived income from these bonds. Even if the Provincial Government were to declare them tax-exempt, however, this would not exclude them from the Dominion system of taxation, since provincial legislation cannot override that of the Dominion.

If any change should be made in the provincial system through the introduction of the principle of the taxation of incomes, this particular source of income would then come up for special consideration. It is worthy of note here that the land bonds of the rural credit board of South Dakota and those of the Bank of North Dakota and of the State Land Board of Oregon, as well as the bonds issued by the Manitoba Farm Lands Board, and others which we might mention, are all tax-exempt. The advantage of this to the farmer in being able to get his loans at the lowest rate of interest need only be referred to.

An important subject closely related to the foregoing is: Should these bonds be freed from the operation of the provincial law concerning succession duties? While this has certain elements which are not the same as in the case of the income tax, our answer for this also would be in the negative.

Fifth. As to incorporation. The land mortgage bank should be incorporated under the Ontario Statutes, not those of the Dominion, for the following reasons, which we conceive to be valid:—

- (1) The business to be undertaken is confined to the Province.
- (2) No new legislation would be required if the charter were obtained from the Province, for the Ontario Trust Companies Act (Sec. 38) gives authority for all the powers which would be necessary for the land bank. But,
- (3) On the other hand, the Dominion Trust Companies Act (Sec. 68) does not allow a company chartered under it to borrow money by the issue of debentures or bonds, which is one of the most valuable functions of the institution which we propose. Moreover, it limits the borrowing power within a much narrower range than we think necessary for the land bank, for under it the sum of the amount borrowed and the amount of funds entrusted to the company for investment must not exceed five times the sum of the company's unimpaired paid-up capital and reserve.
- (4) The limited liability of the stockholder is provided for under the Ontario Statute as well as under that of the Dominion.

Sixth. As to the directors. This is the crucial point. In order that the land bank may be able to perform its highest service, the Board of Directors should be composed of men of large vision, of the greatest business ability, and of sympathetic interest in agriculture and all its problems. The issues which will have to be met by the directors of this bank will call for the exercise of the greatest busi-

ness acumen and for a comprehensive grasp of the importance of agriculture in the national life. As agriculture is our greatest enterprise, it will require the best ability to direct the affairs and the policy of such a potent agent as the land bank, which is destined, if managed successfully, to place agriculture upon a distinctly higher plane, both as to its organization and its results. Too much care, therefore, cannot be taken in choosing the men who are to be entrusted with the development of the work of this bank. They should be men who will not seek to use their position for their own selfish ends, but who are magnanimous enough to work for the country's interests rather than for their own immediate profit, knowing that whatever effects beneficially the food-producing classes will soon bring indirect benefits to all other classes. We would suggest that this appeal should be made to men who have been successful in several different vocations. This is an opportunity, such as seldom comes, to do a great service for the advantage of the entire country, and we do not hesitate to believe that there would be a favorable response on the part of men whose qualifications as directors would assure the proper conduct of the bank from its inception. Perhaps it may not be amiss for us to suggest certain lines of enterprise from which directors might be drawn, if the right person in each line could be secured. There should be upon the board one man whose knowledge of the experience and practice of other countries in agricultural finance is thorough and comprehensive, who would be able to guard the board from going into courses which time and experience have shown to be erroneous; there should be the most capable farmer that is known in the Province; there should be a representative from either the grain trade or the live stock trade, or one from each of them; the farm implement industry and the automobile and motor truck industry should be represented; one of the most valuable men in the railway world should be secured, if possible, on account of the close connection of the railways with agriculture; one director each should be chosen from the banking, the mortgage and loan, and the bond investment business, because the land bank would have to solve many of the problems with which these men would be familiar, and, finally, it would be advantageous to have one director whose knowledge of the general business conditions throughout the country would make him a valuable asset to the board.

The foregoing gives in general outline the system which we believe is best adapted to provide long-term credits for farmers. It is in accordance with the principles which have been operative in moulding our national life thus far, and in the working out of which there has come great and enduring benefits. It relies upon private capital and individual initiative and enterprise. It avoids any participation of the Government in the conduct of business which can be carried on by private capital for the public welfare. It leaves to the Government its proper sphere, namely, that of regulation and supervision; for all the affairs of the bank would have to be subject to careful examination and audit by competent men, and regular reports would have to be made by the bank to the Government.

The operation of this system would give the farmer his loans at as low a rate of interest as if the money were given by the Government directly; for the land mortgage bank, with its bonds guaranteed by the Government, would be able to sell these bonds at as low a rate as that at which the Government could borrow upon its own bonds. The security of the former would be just as good as that of the latter. The farmer then would receive the same financial advantages through the bank as he would if dealing with the Government, and he would avoid

the delay, inconvenience, annoyance and "red tape" of which we have had so much complaint.

The business management of the bank would eliminate the wastes which are too often associated with government enterprises. Men would be put into offices because of their fitness for them. There would be no unnecessary multiplication of employees, such as is revealed too often when the Government enters into the realm of business.

In the active work of the bank, if the effective demand for loans increased, the amount of the loans made would also increase and the amount of outstanding bonds would increase in the same proportion. On the contrary, as loans were paid off an equivalent amount of bonds would be retired or redeemed. Evidently, then, as the bank's assets, in the form of first mortgages, increased, its liabilities, in the form of bonds issued, would likewise increase, and to the same extent; and as the bank's assets were reduced by the repayment of loans, its liabilities (bonds) would be reduced. This elasticity of operation, expanding or contracting the assets and liabilities to the same extent at the same time, and with both movements responsive to the demand for loans, would seem to be the essence of economy in the management of this complicated business.

Finally, this system promises to operate favorably for handling the vexed problem of the man who, with character and ability, but with little capital, desires to become the owner of the land he cultivates. For if he can pay, say, ten per cent. of the value of the property, and the land mortgage bank will loan him fifty per cent. of its value, he will usually have no difficulty in getting the vendor to take a second mortgage for the balance. The second mortgage will be more readily taken because the buyer has arranged for his long-term loan on a first mortgage for, say, twenty-five or thirty years, with the bank, and has a definite financial plan, adjusted to his needs, for that extended period. The safety of the second mortgage under these conditions, is very greatly improved, and the rate of interest charged upon the second would be but a fraction higher than that upon the first mortgage. It would be desirable, however, in most cases for the buyer to have enough cash to pay twenty per cent. of the value of the land, and also enough working capital and the means of subsistence for his first year on the farm.

9. CO-OPERATION OF LONG-TERM AND SHORT-TERM CREDITS.

We have described separately our proposed plan for handling the short-term credit and the long-term credit, just as if they were to be operated without any connection. We have done this for the sake of clearness.

In reality the system we recommend combines these two in one organization, which we shall now outline. The short-term credit, the reader will remember, is to be provided for by a savings institution, and the long-term credit by a land mortgage bank. These we propose to unite by giving the land bank the power to receive savings deposits and pay interest on them, as we have already described when considering the organization of the savings institution. These deposits would be held in the same way as by banks or trust companies or mortgage and loan companies, and they would be withdrawable on demand, as in the case of any of these institutions. The guarantee of the deposits by the Government would assure their absolute safety, and there seems no reason to doubt that this part of

the business of the land bank would soon show great activity. These savings would be used for making provision for the short loans, and for nothing else; and the capital of the land bank and the cash obtained from the sale of its debentures would be used for furnishing the mortgage loans, and for that alone. Evidently then, under the same board of directors of the land bank, there would be two managers, one giving attention to the short-loan business and the other to the long term loans. It is desirable to have this loaning business co-ordinated under one control, for at least two reasons:

First. It will cut down on the overhead expenses, making these less than if each branch were organized independently of the other.

Second. There is a very close relation between the two aspects. It is impossible to conceive of a man being able to use properly his long-term loan, with the assurance of repaying his annual instalments, unless he has made suitable provision for working capital from year to year; and, on the other hand, he cannot use to the greatest advantage his short-term loans without having his financial arrangements made for a much longer period.

From the standpoint of those who are interested in the development of the work of the chartered banks this might seem, upon a superficial survey, a means by which business would be lost to them for the purpose of building up a rival institution. In reality the proposed land bank is not a rival. It is formed to take care of needs which, as we have shown, cannot be properly cared for under our present banking law and the recognized practice of commercial banks in all countries. Our plan contemplates the enlargement of the field of banking, not the division of the present field between two competitors. Bankers in Europe and in the British Isles, who formerly were opposed to any system of co-operative banking for the advancement of agriculture, have changed their attitude and expressed their hearty endorsement of such measures of relief. Important bankers in many countries have favored the organization of savings institutions by which the people's money could be used for the welfare of the people to a larger extent than ever before, and some of them have presided over banking congresses for the promotion of the rural interests. Some of the bankers of the United States have openly acknowledged that the establishment of the federal system of long loans and of the few state systems of rural credit which have had any measure of success, instead of taking away from their business, has helped to increase it. It has been the universal experience of countries in which co-operative methods have been employed to furnish loans to farmers that wherever by these means farmers have been benefited the banks have secured corresponding advantages. So long as the supply of capital for farm loans is either limited in amount or furnished upon such terms as do not give the fullest use of the capital, so that this greatest of all the country's enterprises is debarred from its greatest expansion, all the other elements of our economic life, including banking, must remain dwarfed to that extent. Fortunately the day when bankers considered only those things which would contribute immediately and directly to their pecuniary interests is rapidly passing. Banking is being regarded, by the progressive men in that calling, as a means by which they may render service of many kinds to their communities, and they may be assured that in promoting the welfare of their constituency they will reap an abundant share of the wealth produced and of the enhanced social well-being.

The bankers who have vision are more interested in the development of the country than in the farm loan accounts of their banks. The farmers need

money in larger amounts than the banks can supply and upon terms which the banks are not permitted to grant. They need long-time amortized loans also, in order that they may change their type of farming to a safer and more permanent basis. The farmer who takes a long-term loan for some productive purpose—and under the system we have outlined he would not get it for anything that would not be productive—does not need to have any undue anxiety about the future or the necessity of paying off the principal of the loan, but he can at once set to work to organize his farming along lines which will be the most remunerative in the long run. He begins to buy live stock, machinery, fencing, building materials and other things which will put him upon the basis of successful farming. This makes him a good customer of the merchant in the town. He pays his bills at the stores promptly. The merchant in turn ceases to postpone the payment of the bank for its advances to him on account of the farmer's delay in settling his bills. The increased purchasing power and the increased demand for manufactured goods on the farm not only help to impart new life to manufacturing and to enlarge and improve the character of the business of the mercantile firms in the town, but also to cause a greater demand for the services of the banks. This influence reaches back from the consumer of the finished products to the more remote places where the raw materials are produced. The farmer buys more things for his house; he begins to live better. He establishes a live stock business in connection with his grain farm, so as to turn his raw material into appropriate finished product and thereby carry on his work with the greatest economy. The larger and larger amount of his sales of stock demands increased use of the bank by the buyers of the animals in order to make their payments and arrange for their further disposition. The result of the whole process is that the business of the chartered banks becomes greater and greater, simply as a result of setting the wheels of agriculture into intensified motion through the operation of the rural credit facilities. These considerations make their appeal to the banks, as well as to the commercial and industrial community of interests, wherever agriculture has received such a stimulus. They lift the matter to a higher plane and extend it over a much broader realm of business relations. We shall not here speak of the social advantages which accrue from the establishment of a system of rural credits such as we have described in the foregoing pages; the improvement of the tone of the community, the encouragement afforded to those who no longer feel that they have to fight their battle alone, the increased solidarity of community life—these and other factors which we have already outlined infuse a new spirit into the life of the people.

We shall close this report with the following

CONCLUSIONS.

1. Legislation should be passed to embody the foregoing principles into a sound and carefully integrated system by which agriculture could receive the financial assistance of which it has been too long denied.
2. Provision should be made for and encouragement given to the formation of rural credit societies, as the basis upon which to develop a safe and adequate extension of short-term credits, along the lines we have outlined above. Regular reports should be required from these societies, and there should be careful supervision of their activities.

3. As soon as the legislation has been enacted there should be the formation of the land mortgage bank as the basis of the financial provision for both the short-term credit and the long-term credit. This bank should be given adequate powers, including the right to receive deposits from anyone and pay interest on the same, and the power to borrow money, if necessary, to effect its purposes.

4. The most mature judgment should be exercised in the choice of suitable directors of this bank. Upon this depends the success or the failure of the entire system.

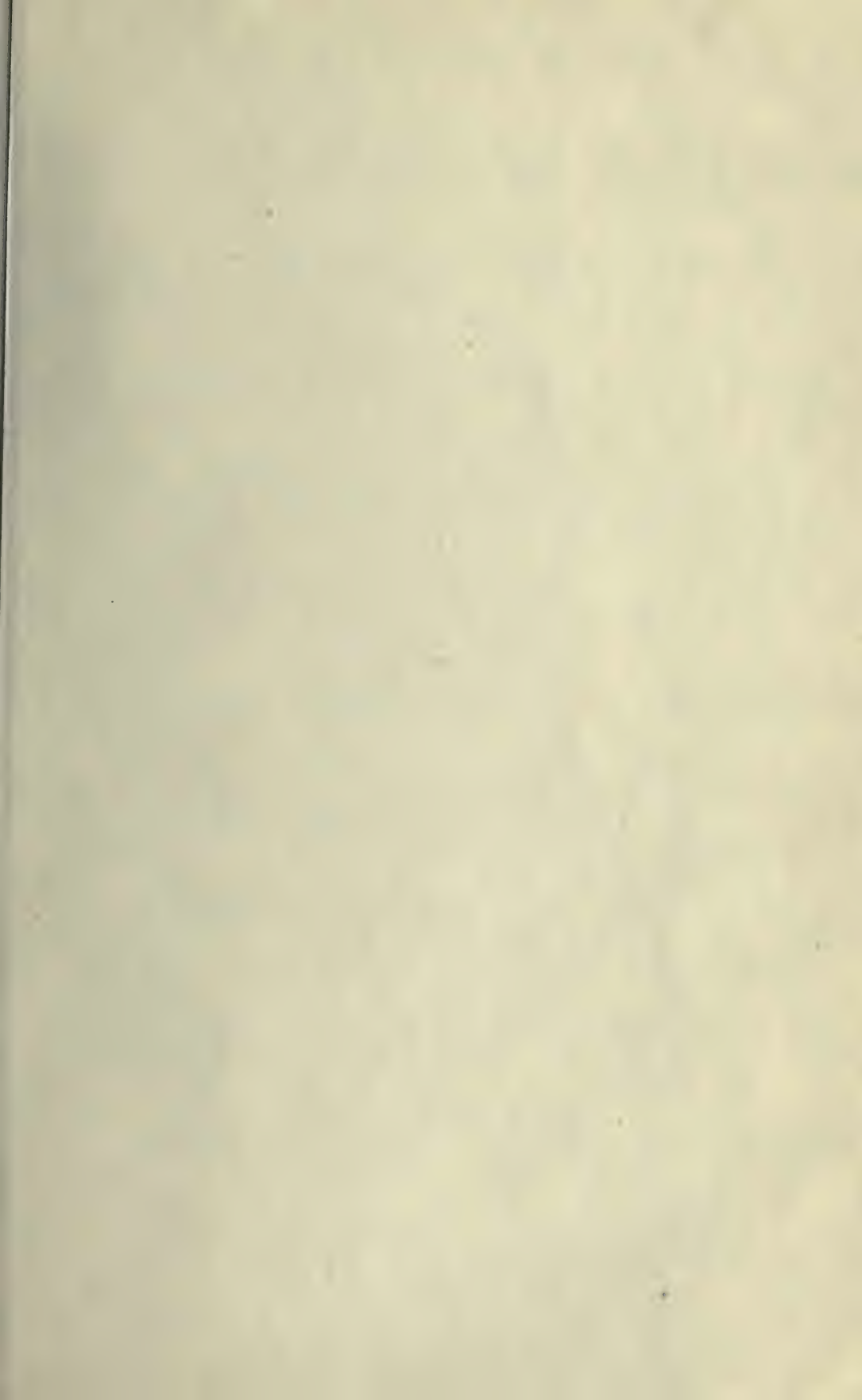
5. Preferably before—but, if that be not possible, after—the legislation has been passed there should be a thorough campaign of education carried on among the farmers, to show them the benefits of the system of rural credits and how to take advantage of it at the earliest opportunity.

B I B L I O G R A P H Y .

For the guidance of those who desire to pursue the study of rural credits further we append the following list of appropriate literature. This is by no means extensive and far from complete, but it will provide those who have little, if any, knowledge of the subject with a few selected works on the general field. Of course for a detailed study there is nothing so good as the legislation, and, as far as Canada is concerned, this is about all that is available.

- U.S. Senate, 63rd Congress, 1st session, Agricultural Co-operation and Rural Credit in Europe. Report of the American Commission . . . for . . . investigating in European Countries Co-operative Agricultural Finance. Washington: Government Printing Office, 1913. (Senate Document 214.) 916 pp. (A valuable document, replete with information.)
- Morman, J. B. The Principles of Rural Credits. Toronto: Macmillan, 1915. 296 pp. (A careful analysis of the foregoing report, putting into very readable form the information secured by the American Commission of 1913.)
- Herrick, Myron T. Rural Credits, Land and Co-operative. New York: Appleton, 1914. 519 pp. (A description of the rural credit systems of the most important countries up to that time. Most attention is given to the European systems. A valuable work.)
- Morgan, Dick T. Land Credits. A Plea for the American Farmer. New York: T. Y. Crowell Co., 1915. 299 pp. (Discusses the adaptation of the European systems to United States conditions.)
- Myrick, H. The Federal Farm Loan System. New York: Orange Judd, 1916. 239 pp. (Shows the application of this system in the United States, and how farmers and others might obtain the fullest benefits from it.)
- Wolff, Henry W. Co-operative Credit for the United States. New York: Sturgis & Walton, 1917. 349 pp. (A valuable work showing the adaptation of the principles of European co-operative banking to United States conditions.)
- Wolff, Henry W. People's Banks. A Record of Social and Economic Success. 3rd ed. London: King, 1910. 587 pp. (Description of co-operative banks, showing the success which has attended their operation in Europe.)
- Wolff, H. W. Co-operative Banking. London: King, 1907. 301 pp. (Much the same character as the preceding.)
- Robins, Kingman Nott. The Farm Mortgage Handbook. Garden City: Doubleday, Page & Co., 1916. 241 pp. (Shows methods by which farmers in United States and Canada are financed in the matter of mortgage loans.)
- Desjardins, Alphonse. The Co-operative People's Bank (La caisse populaire). New York: Russell Sage Foundation, 1914. 42 pp. (Shows the principles and practice of these People's Banks, which were established by the author in Quebec and have since multiplied greatly in that Province and in the United States.)
- An Outline of the European Co-operative Credit Systems. 2nd ed. Rome: International Institute of Agriculture, 1913. 71 pp. (Well described by its name.)

- Brown, Vere C. Rural Banking Credits; the functions and obligations of the chartered banks. Reprinted from "The Grain Growers' Guide," 1916. (Refers to conditions in Manitoba.)
- Saskatchewan. Agricultural Credit Commission. Report. Regina, 1913. 224 pp. (Deals with European conditions.)
- Alberta. Report of the Alberta Commissioners on the American Commission for the study of agricultural credit in European countries. Edmonton, 1914. 77 pp. (Shows the methods used in Europe to finance the farmers.)
- Cahill, J.R. Enquiry into Agricultural Credit and Agricultural Co-operation in Germany. Issued by Great Britain, Board of Agriculture and Fisheries. London, 1913. (A valuable study.)
- Desbons, Georges. La crise agricole et le remede co-operatif; l'exemple du Danemark. Montpellier; Firmin, 1916. 178 pp.
- Ireland. Department of Agriculture and Technical Instruction. Report of the Departmental Committee on Agricultural Credit in Ireland. Pt. I. Report; Pt. II. Minutes and Evidence. Dublin: Thom, 1914. 2 vols. 407, 671 pp. (A full consideration of agricultural credit in Ireland, by a Parliamentary Committee. Generally fair and impartial, but occasionally somewhat biased.)
- Smith-Gordon, Lionel and Staples, Lawrence. Rural Reconstruction in Ireland. London: King, 1917; pp. 130-153 on "The Credit Societies." (A careful study of Irish agricultural problems.)
- National Conference on Marketing and Farm Credits. Collections of papers... read at the annual sessions of the National Conference on marketing and farm credits, 1913-1916. Madison, Wis.: National Agricultural Organization Society, 1914-17. 3 vols.
- Coulter, John Lee. The Problem of Rural Credit or Farm Finance in the United States. Bulletin 1 of the Wisconsin State Board of Agriculture. Madison, 1912.
- California. Commission of Land Colonization and Rural Credits. Report of the commission of land colonization and rural credits of the State of California. Sacramento, 1916. 87 pp.
- Putnam, G. E. The Land Credit Problem. Bulletin of the University of Kansas, Vol. XVII, No. 18. Lawrence: University of Kansas, 1916. 107 pp.
- Herrick, M. T. The Rural Credits Movement—Danger of Drifting. Address delivered before the Missouri Bankers' Association, Kansas City, Mo., 1915. 20 pp.
- Michell, H. People's Banks in North America; a survey of the Desjardins system of co-operative banks in Canada and their adoption in the United States. Washington: Government Printing Office, 1914. Senate Doc. 580. 21 pp. (Historical account.)
- U.S. Bureau of Markets and Rural Organization has issued a few bulletins on several phases of agricultural finance.
- International Institute of Agriculture, with headquarters at Rome, Italy, publishes monthly the "International Review of Agricultural Economics," one section of which is devoted to "Credit." As Canada is a contributing member of the International Institute of Agriculture, and has her own Commissioner at Ottawa, the entire series of the Institute's publications is found in the Institute library at Ottawa. The work of this agricultural organization is of the highest importance and deserves the most liberal support.



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